Guide To Financing For Social Enterprise

Western Economic Diversification Canada
Diversification de l'économie de l'Ouest Canada

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Introduction

The idea of social enterprise is not new, some thrift shops, and Vancouver YWCA's hotel, have existed for a long time. However, it is only in recent years that the term "social enterprise" has been applied to such ventures.

As the concept has developed and interest has grown, social enterprise initiatives have increased both in number and in sophistication. Entities have been created with funding and financing needs that are not met either by traditional grant programs or by traditional debt/equity instruments.

At the same time, and in response to the complex and interrelated goals of both increasing social value and profitability, new areas of social philanthropy and social venture capital have emerged. As well, financial institutions, community foundations, governments, and a new breed of social capitalists have been developing innovative financing options. Exciting, creative and flexible social enterprise financing arrangements are now being put together.

The field will become even more interesting in the near future with the new focus of the Canadian government on the "social economy." The federal government has defined the social economy as:

> *"......... 'economic' in that it involves the production of goods or services and their sale in the market economy. ... ...'social' in that its main objective is to meet the needs of the community, including disadvantaged or vulnerable members, and because of the values (democratic process, collective empowerment, etc.) on which its governance and operation are based ."*

In 2004, the federal budget placed a special emphasis on social enterprise as a specific component of the social economy that it wishes to encourage. The budget of that year assigned funds to the area and it is expected that, by the fall of 2005, there will be entities in place to distribute and administer these funds.

Locating and obtaining funds for social enterprise can be complicated. This guide is an attempt to demystify the financing options open to both new, and practicing, social entrepreneurs. It may also point these entrepreneurs in the direction of financial strategies that might not otherwise have occurred to them.

Social Economy Backgrounder. Industry Canada.
http://fednor.ic.gc.ca/epic/internet/infednor-fednor.nsf/en/h_fn02091e.html

Some Paradigm Differences

People who are familiar with applying for grants will find that obtaining financing is both different from, and similar to, obtaining grants.

Well Researched and Written Document

Applications for grants and financing both require a well-written and well-researched document. In the case of a grant, this is a proposal. For financing, it is a business plan.

Focus

Just as applying for a grant for a non-profit program involves knowing the interests of the grantors, looking for financing involves knowing the interests of the financiers. For example, if the non-profit program or service is youth-focused, it is important to find a grantor whose funding guidelines include supporting youth. When applying for financing or looking for equity investment for social enterprise, it is also important to understand the particular interests of the financier. For example, Vancity Savings Credit Union is a leader in the field of financing social enterprise whereas banks have little interest in the area.

Language

Just as the non-profit world has its acronyms and “buzz words” so does the world of financing. Moreover, just as terminology comes in and out of fashion in the non-profit world, so it does in the world of financing. It is important to remember that financial language *is not a mystery!* It is a language and culture which can be learned. Do not be afraid to ask questions; the worst thing to do is to pretend to understand for fear of looking ignorant. Most people in the non-profit world are not knowledgeable about financing. (Just as people in the financial world are not usually knowledgeable about the complexities of community development or strategies for creating social change.)

Transparency

Grants obtained from community foundations and government are relatively transparent; the granting guidelines are public, the members of the decision-making body are known, a list of recipients is publicized and an annual report is issued. Government tendering processes and evaluation criteria for proposals are public, the value of contracts awarded is available, and the name of the successful bidder is announced.

Financing is very different from this. First, the details of individual financing deals are confidential. Moreover, although there are strict, and public, borrowing criteria related to term loans, lines of credit and so on, in the areas of more sophisticated borrowing there is flexibility. Financiers love doing “deals” and often the loan or investment is made according to a blend of a number of elements such as character, track record, capacity to grow, collateral, market conditions and so on. Each combination of factors is unique. (*See What Do Bankers Want? Page 23*)

Some Paradigm Differences *continued...*

Relationships

While relationships are important both when looking for grants and when looking for financing, there is a difference in the degree of the importance. When granting funds for the work of a non-profit organization the representative of the funding body or government must view the individuals involved as credible, having integrity and having the ability to successfully manage the project. However, in general, the relationship between the representative of the funding body and the funding applicant will only partly influence the outcome as, in the final analysis, public policies and guidelines limit the amount and nature of the grant.

On the other hand, especially at the higher levels, financiers have a great deal of discretionary power and can put together many different kinds of deals. The financier can be the biggest ally for the social entrepreneur. For example, Vancity has a group of companies that can offer everything from grants to loans to subordinated debt and the personnel have many contacts with other grantors, lenders, and investors. Some of the individuals interviewed for case studies in this guide spoke of how Vancity employees had assisted them to obtain a combination of grants, loans, philanthropic venture capital, and technical assistance. The outcome often reflected the creativity of the financier and had not been previously envisioned by the social entrepreneur.

Relationships are the key to obtaining financing. These relationships take time to nurture and it is a good idea to meet with the financial institutions very early in the process. There are a number of reasons for this:

- the financier gets to know you,
- you get to know the financier,
- if you keep the person informed, you will get very valuable free feedback and possibly technical assistance, and
- if the individual sees financing potential, he or she may become an advocate for the social enterprise. This can lead to financing strategies that you may never have imagined.

Although the enterprise is not in a position to apply for a loan, one social entrepreneur reported sending monthly financial statements to a financier with whom the social entrepreneur has established a solid relationship. The social entrepreneur not only gets feedback, but also feels that, when the time comes, the enterprise will be in a much better position to apply for financing.

Before Looking For Financing

Before looking for financing there must be:

- a clear understanding of legal structure of the social enterprise
- clear financial objectives
- carefully prepared financial documents
- a capable financial manager

Legal Structure

In order to use this guide, it is important to understand the legal structure of the social enterprise in question, its borrowing capabilities, and investment possibilities. The business structure chosen for a particular social enterprise is a critical part of the development of the business plan. Although a discussion of the different possible business structures for social enterprise is outside the scope of this guide, some of the possibilities are:

- In-House: A social enterprise which is operated by a non-profit organization as a division of the non-profit society, no separate legal structure is created.
- Wholly Owned Subsidiary: A social enterprise created as a corporation which is owned, and controlled, by a non-profit organization.
- Subsidiary Company with a Partner: Similar to above but the non-profit society is the majority shareholder in a company which has other shareholders.
- Joint Venture: This is a variation of the partnership described above but the control is shared equally among shareholding partners.
- Co-operative: A social enterprise can be a co-operative of community members or a co-operative of non-profit societies. Such co-operatives can have investment shareholders.

Financial Objectives

A well-written business plan will articulate the type of financing needed. The business plan should contain carefully researched and accurate financial objectives and financial statements.

When developing a business plan for a social enterprise, there will be different financial objectives at different stages. For example,

- At the idea stage, the financial objective may be to find the resources to conduct a feasibility study.
- At an early stage, the financial objective may be to find resources to build technical capacity.
- At the start up phase, the financial objective may be to acquire the equipment needed.
- As the business develops, the financial objective may be to break even.
- Later in the business development cycle, the financial objective may be to achieve a profit (with or without borrowed funds).
- As the business grows, the financial objective may be to increase sales through more sophisticated marketing strategies.

Each of these financial objectives requires a different financial strategy. A social enterprise will have a number of different financial strategies through the life cycle of the business.

Before Looking For Financing *continued...*

Financial Documents

Financial strategies are based on the information provided by certain essential financial documents. These financial documents are an essential part of a business plan. The figures used in these documents are often projections based either on past performance or on market research. Financial documents using projections are called pro formas.

> **Income Statement:** A financial performance report which sets out projected revenue and projected expenditures of the social enterprise expected during a specific timeframe.
>
> **Cash Flow Statement:** Shows the flow of cash into and out of the social enterprise during a specific period. It includes when, and where, the money will come from and what it will be spent on. This is the most realistic picture of the viability of the social enterprise as it indicates how much cash will be available at any given time.
>
> **Break-even Analysis:** This shows the amount of business the social enterprise must do in order to cover costs. At the break-even point, there is no loss or profit to the social enterprise.
>
> **Balance Sheet:** This is a status report, or "snap shot' of the financial state of the social enterprise business at a given point in time. It shows what the social enterprise owns (assets) what is owed (liabilities) and what is left over (equity).

These documents should be prepared very carefully because they are the key to the success of the social enterprise and will be scrutinized by everyone approached for financial support.

Capable Financial Management

Managing the finances of a business is substantially different from managing the finances of a non-profit organization.

It is critical that the social enterprise has sound financial management. The financial manager of a non-profit organization developing a social enterprise may have the required expertise. If he or she does not, financial management capacity can be developed. This can be achieved in a number of ways such as,

- training the current financial manager,
- recruiting a board member or advisory committee member with the necessary skills,
- partnering with an organization such as BC Technology Social Venture Partners whose volunteers can provide financial management skills, or
- contracting with a financial manager.

Do not start up a social enterprise until this essential expertise is in place.

Financing For Social Enterprise

Capital is generally understood to be money that is used for the purpose of making profit. In the field of social enterprise, this money is also required to have a social impact.

At different times in the development of a social enterprise there will be various needs for capital, such as:

- to write a business plan
- for fixed assets, for example premises, machinery, equipment etc
- for startup costs, for example marketing campaigns to launch the product or service
- for everyday operation of the business.

In general, there are two sources of capital:

- Equity, or investment financing, from people who expect to share in the eventual benefits of the business.
- Debt financing, or loans, from people and institutions that expect the money plus interest repaid according to an agreed-upon schedule.

As explained below, capital can look for a quick financial return or it can be "patient."

It is usually difficult to secure debt – loans – if there is no equity in the business. In this sense, equity precedes debt.

1. EQUITY

1.1 What is Equity?

The word equity can be used in two different ways:

- Equity can mean the difference between the market value of a property or business and its liabilities.
- Equity also refers to the ownership interest of shareholders in a business.

1.2 Equity and Social Enterprise

1.2.1 Internal Development of Equity

Creating equity internally is both the best first source of equity and something that most financiers require. Below are examples of how social enterprises can build up equity. Undoubtedly, new ways of developing equity will be created as knowledge about social enterprise financing grows.

Financing For Social Enterprise *continued...*

Past Surpluses

The best source of equity is passed surpluses[3] . This is the money that an organization has accumulated over the years.

Prudent organizations save money from occasional surpluses of income over expenditures. This money has traditionally been used to cover future shortfalls such as can occur when a government-funded program is discontinued.

Accumulated surpluses are tricky for non-profit organizations. Government agencies have tended to frown upon them under the mistaken belief that non-profits with surpluses are making a profit and should deplete these funds before receiving further financial assistance. However, this attitude appears to be changing with the increasing interest in the businesslike management of non-profits.

An example of an organization using accumulated surpluses is Atira Women's Resource Society, White Rock BC. Atira used such surpluses to conduct market research when developing their property management company. (Page 33)

Creating A Trust Fund

Because funds are often scarce and accumulated surpluses can be problematic, many non-profit organizations do not develop significant cash reserves. As well, if the organization is brand new, there will not be any surplus from previous years. Another solution to the challenge of developing equity is to create a trust fund.

Eco-Lumber Co-op (Page 42 has created equity by withholding 5% of the money paid for goods and services purchased from members. This money is placed in a trust account which is used as equity to secure loans. The money held in trust will be paid to the members when the loans are repaid.

Member Equity[4]

People become members of co-operatives by acquiring shares. The money paid for these shares becomes the co-operative's equity.

For example, members of the Co-operative Auto Network (Page 40) purchase a one-time refundable share of $500 to join the co-operative. In addition, family members of the primary members can purchase associate memberships for $250. This provides a large percentage of the CAN's working capital.

Membership fees can also be charged by non-profits and could become a source of equity. However, it appears that this method is not been used, so far, by non-profit societies to create equity for social enterprise. One reason that this source of equity has not been explored may be that most non-profit organizations want to keep their membership accessible to everyone and so keep their membership fees low.

[3] van Gils, Pieter. Fundamentals of CED Finance. Making Waves, Vol11, No.4.
[4] Van Gils, Pieter. Fundamentals of CED Finance. Making Waves, Vol11, No.4.

Financing For Social Enterprise *continued...*

With some creative thinking, it may be possible to protect the democratic nature of the membership of a non-profit and, at the same time, to explore membership fees as a possible source of equity for enterprise development.

Equity in Property

Some non-profit organizations own buildings. The organization's equity in the property is the difference between the market value of a property and its liabilities. This equity can be used, by a non-profit that wishes to start a social enterprise, to secure loans.

1.2.2 Ways to Build Equity with External Help

Traditional Philanthropy

Grants can be seen as a source of equity as, once granted, the grantor has little or no control over the money except for requiring a final report.

Increasingly, funders are describing grants as investments which provide a social, rather than financial, return. Instead of using the term "grant," funders are tending to speak about "community investments" or "investing in the development of social capital."

Traditionally grants are given to support social programs, community development, community economic development, or organizational development. Many grants cannot be used to fund activities directly related to social enterprise. However some, while they cannot be used for activities directly related to developing social enterprise, can be used for building the capacity of the organization in such a way that skills and expertise required start a business venture are developed.

Examples of these grants are:

- Partners in Organizational Development (POD) grants available through the Centre for Sustainability. www.centreforsustainability.ca (Page 53) These include POD, ArtsPOD, and EnviroPOD. POD grants provide funds to hire consultants who can give technical assistance to agencies engaged in strengthening their organization, adapting to change and responding to diversity.

- The Community Economic Development Technical Assistance Program (CEDTAP) funded by the McConnell Family Foundation and Carelton University supports early -stage and mature community economic development organizations. www.carleton.ca/cedtap (Page 61) CEDTAP grants can be used to assist the organizations to access technical assistance, to facilitate learning exchanges and to acquire critical computer resources and technical support in order to engage in community economic development. CEDTAP grants are seed grants, therefore other financial contributions are required.

For example, Eco-Lumber Co-operative (Page 42) received a CEDTAP grant. This was topped up by a grant from the Mountain Equipment Co-op and some of the executive director's personal funds and was used to write the business plan for the co-operative.

More information about relevant granting bodies can be found on Page 53.

Financing For Social Enterprise *continued...*

Venture Philanthropy

Venture Philanthropy is new. The Peninsular Community Foundation, San Francisco claims to have first used the term "venture philanthropy" in 1984. It is a confusing area, in fact,

> "The venture philanthropy field is so diverse and unsettled it resembles the Wild West."
> - *Mario Morino, Morino Institute*

Venture philanthropists always view grants as "investments," and call the organizations to which they give money "investees." They make long term, usually 3-6 year, commitments to an organization and, during that time, work in partnership with the organization providing business skills and technical assistance. Venture philanthropists use social outcomes measures to assess the social impact.

Examples of venture philanthropists are:

- BC Technology Social Venture Partners (BCTSVP), a charitable foundation created by individuals in BC's technology industries, which supports innovative non-profit groups serving children, women at risk, and people living in Vancouver's Downtown Eastside. ➲ http://www.bctsvp.org (Page 61) BCTSVP provides a combination of grants, technical expertise and entrepreneurial acumen.

An example of venture which is working in partnership with BCTSVP, is the social purchasing portal developed by Fast Track to Employment. This portal was developed to encourage businesses to adapt their purchasing and hiring practices to include a social value component, specifically by hiring companies that participate in FTE's program. Participating companies commit to buying from businesses that hire graduates from FTE's Downtown Eastside training network, and to hire qualified applicants from that pool. In addition to significant grants, BCTSVP contributed technical assistance in system design, business concept development, policy and implementation, marketing and promotion, and web site design and housing.

- A partnership, between the Vancouver Foundation, Vancity Community Foundation, Coast Capital Savings, United Way, and the federal government through Western Economic Diversification, has created the Enterprising Non-profits Program (ENP). ENP is a funding program which provides matching grants to non-profit organizations in BC that are interested in starting or expanding a business. Attendance at an orientation program is required. (Page 62) ➲ http://www.coastcapitalsavings.com/documents/ProgramDescriptionFeb05.pdf

For example, Atira Women's Resource Society received a grant from the Enterprising Non-profits Program and matched this with funds of their own to hire the Institute for Media, Policy, and Civil Society (IMPACS) – itself a social enterprise – to develop their marketing plan.

[5] From Charity Village http://www.charityvillage.com/cv/ires/ires12.html Morino Institute http://www.morino.org

Financing For Social Enterprise *continued...*

1.3 Equity Investment for Social Enterprise

1.3.1 Equity Investment

Ownership of a conventional business is often divided into equal parts or ***shares.***
These shares are owned by ***shareholders***. When the company is a making profit, shareholders receive dividends, representing their share of the profit. The number of shares an investor holds reflects the amount of money invested and represents their equity. The shareholders receive financial rewards, or dividends, in accordance with the number of shares they hold i.e. in an equitable manner.

Equity investment is the money an investor puts into the business in return for an ownership interest.

Equity investors can be active or passive. Passive investors are those who are willing to take little part in the management of the company. Active investors expect to play a hands-on role in the running of the business.

Investors put their money into a business because they expect it to do well, however if there is no profit the shareholders do not make any money.

While loan capital requires interest payments regardless of the profitability of the business, equity capital does not. For this reason, conventional businesses raise a significant part of their capital needs in the form of equity rather than through debt. The same reasoning applies to social enterprise.

1.3.2 Venture Capital

Venture capitalists look for equity investments that are going to make them a very high interest rate – ***or return on investment***. The return on investment is the profit or loss resulting from an investment, usually expressed as an annual percentage return.

Venture capital is needed by enterprises that are unsecured and have unproven earnings. Venture capital often comes from a pool of investors who are willing to accept high risks in exchange for a high rate of return.

Conventional venture capital companies look for promising start-up or expanding businesses which may be able to grow quickly and produce significant profits.

Some ventures will succeed, some will fail, and venture capitalist companies want to maximize the chances of success. Therefore, they are active investors and want to play a major part in the strategic management of companies in which they invest, typically by becoming directors.

Financing For Social Enterprise *continued...*

Venture capitalist companies also look for exit strategies, that is they look for ways to extract their investment after a few years and move on.

When the relationship works, the close involvement of a venture capital company with a new or expanding business can help the business. However, not every relationship between an entrepreneur and a venture capital company works well.

Applying the venture capital concept to social enterprise is very new, emerging at the end of the 1990s.

Renewal Partners is an example of a venture capital company investing with the goal of long-term preservation and sustainability in British Columbia. Their primary focus is expanding consumer access to socially responsible, solutions-oriented services and products. When investing in a business, Renewal Partners reserves the right to put a representative on the board of directors
➔ http://www.renewalpartners.com (Page 65)

Renewal Partners purchased investment shares in Eco–Lumber Co-op (Page 42).

1.3.3 Angel Investors and Social Venture Capital

The name “angels” was originally given to those who were prepared to help the theatrical profession by investing in new productions.

Angel investors are private investors who are willing to put their money in to high-risk ventures. Angel investors often form a pool of investors who are willing to accept high risks in exchange for a high rate of return, however, they can also be individual investors.

Surrey Delta Immigrant Services developed an ESL (English as a Second Language) school that would serve as a revenue diversification strategy. To do this SDISS created a separate corporation. Friends and supporters of the Society - “the Society’s “ angels” - purchased preferred shares in denominations of $1000, providing the Society with significant equity.

2. DEBT

2.1 What is Debt?

Fundamentally, ***debt*** is an amount that is owed. Debt is incurred when a ***loan*** is made.
The amount of the loan is called the ***principal***.

Financing For Social Enterprise *continued...*

The cost of borrowing the money is the ***interest***, which is usually a percentage of the principal. The interest charged reflects:

- The risk to the lender. If the money is to be spent on a low risk business (proven market, proven company, proven management) the interest rate will be relatively low. If it is a high-risk business (unproven market, unproven company, unproven management) the interest rate will be relatively high.
- How quickly the lender can get the money back. If the loan can easily be reclaimed in a short amount of time, the interest rate will be lower than if the money cannot be paid back for many years.

Loans are often ***secured***. This means that the borrower offers an ***asset***. An asset is any item of value owned by the business and can include cash, stock, inventories, property, and goodwill. The borrower agrees that the lender can take the asset if the loan is not repaid. The asset that is offered as security is known as ***collateral***.

When a business incurs debt, it acquires a ***liability***. In addition to what is owed to lenders, other liabilities could be money owed to suppliers, wages owed to employees and taxes owed.

Equity investment requires a business to pay returns which vary in relation to the profitability of the business (and which can be very high.) Equity investors can want to be active in the management of the business. For these reasons, some entrepreneurs prefer to use debt financing because loans repayments are cheaper, are usually in fixed amounts to be paid on preset payment dates and lenders do not want to be involved in the operation of the business.

2.2 Conventional Debt Financing

Conventional debt financing is sometimes referred to as “senior” debt as it is the debt that is repaid first if there is a business failure.

Overdraft protection

Overdraft protection covers shortfalls in the business account up to an approved limit. Interest is charged only on the amount borrowed and the rates are competitive. Monthly administration fees may be charged.

Credit cards

Business credit cards provide short-term loans for smaller purchases. Interest rates are usually high but there is no interest if the balance is paid off every month. Many small business people rely extensively on credit cards when they are developing their businesses.

Financing For Social Enterprise *continued...*

Operating Line of Credit

An operating line of credit is a loan with a set limit. The business can draw on the line of credit when needed. Interest rates are lower than most credit cards and some loans, and interest is only paid on the outstanding balance. There are no fixed payments except for a monthly fee and interest. The business has the option of paying down the loan as it can afford to do so. Property or other assets are usually required to secure an operating line of credit.

Potluck Café and Catering (Page 36) obtained an operating line of credit from Vancity Savings Credit Union.

Term Loans

A term loan is a fixed amount of money which is borrowed, over a fixed period. This fixed period is called the ***term*** of the loan. Term loans are usually used to cover expensive items such as capital equipment, real estate, or renovations. They have established monthly payments. The lender will ask for security for the loan (equity in the building, cash, equipment, etc.) If a payment is missed, the lender has the right to demand immediate repayment.

The most common term loans taken by non-profits and social enterprise are in the form of mortgages.

2.3 Debt Financing Secured by Socially Responsible Investments

New ways of investing are making it possible for people to invest their money so that it will have maximum social and environmental impact. Some of these new investment tools, such as ethical funds, are not available to social enterprise as they are invested in public companies.

However, Vancity Savings Credit Union has an innovative program called Shared Growth Deposits. Vancity offers two types of Shared Growth Term Deposits – Cashable or Fixed Term. Vancity manages these in such a way that they return social, environmental and economic benefits to local communities.

In addition, the investor can receive a market rate of return or can choose any rate below market. The interest they give up is pooled and then used to provide access to credit, or reduced interest on loans for local community groups.

Eco-Lumber Co-op received a loan that was secured by these pooled funds. (Page 42)

Financing For Social Enterprise *continued...*

2.4 Community Debt Financing

Community debt financing is geared primarily towards high-risk ventures in rural areas. The exception is Partners in Community Help (PEACH) in the Downtown Eastside of Vancouver which offers a form of community debt financing.

Community Futures Development Corporations (CFDCs) (Page 69) throughout rural BC provide business counselling and make loans of up to a maximum of $125,000 to new and existing businesses. Loans received from a CFDC are fully repayable at competitive interest rates.

Because the boards of CFDCs come from the community, the loans they make reflect local knowledge of the needs of the community. CFDCs are becoming increasingly aware of the financing needs of social enterprise, however, some boards are much more conservative than others.

In 2005, CFDC of South Fraser obtained funds from Western Economic Diversification to set up a centre for social enterprise in the Abbotsford area. This will become a source of loans and expertise for social enterprise in the Fraser Valley.

2.5 Program Related Investments (PRI)

Some foundations, in some circumstances, will make loans to non-profits, these are known as "Program Related Investments." There are very few foundations in Canada which do this, Vancity Community Foundation is one of them (Page 59).

Strathcona Community Dental Clinic (Page 30) had a combination of a term loan and an operating line of credit from Vancity Community Foundation, which made it possible for the Clinic to operate for several months.

3. WHEN THE LINE BECOMES BLURRED BETWEEN DEBT AND EQUITY

There are sophisticated forms of equity and debt financing that blur the boundaries between the two.

3.3.1 Subordinated Debt

Subordinated debt is also referred to as sub-debt financing, mezzanine financing, risk capital or growth capital. Subordinated debt consists of loans which are unsecured but which are based on the established cash flow of a business.

Financing For Social Enterprise *continued...*

Subordinated debt is a hybrid blend of equity and conventional debt. Similar to equity, subordinated debt is usually not supported by collateral assets. Like conventional debt, subordinated debt typically requires regular monthly payments of principal and interest.

Subordinated debt ranks below senior debt when it comes to claims on assets. In the case of default, creditors with subordinated debt are not paid out until after the senior debt holders are paid in full.

Ecotrust, Vancity Capital Corporation and Coast Capital Savings (through their Rising Tide funds) offer subordinated debt.

For example, Eco-Lumber Co-operative (Page 42) received a loan from Ecotrust (with money from Vancity Capital Corporation) (Page 72) which functions like equity in that the interest rate is tied to the amount of sales. When these reach a certain level, it will be financially prudent to repay the loan.

3.3.2 Convertible Loans[6]

A convertible loan is first and foremost a loan and has to be paid back with interest.

Typically, the conversion feature gives the lender an option to convert all or a portion of the outstanding principal of the loan into some form of an equity position in the borrower's company. In its most basic form, the lender has reserved the right to exchange his or her creditor position with the company to become an owner in the company.

The borrower is willing to provide the lender that option in exchange for securing more favorable terms on the loan. For example, the borrower could ask for any combination of concessions, such as: no closing costs on the deal, no prepayment penalties, a lower interest rate and/or "payment vacations" within the term of the loan. (These are often requested for times when the company anticipates significant fluctuations in cash flow).

Social Capital Partners offers convertible loans (Page 66).

4. "PATIENT" CAPITAL

"Patient" capital can be either equity or debt.

Banks and other lenders tend to think in 3-5 year terms for loans. Venture capital companies tend to look for short-term growth and profits, and fast exit strategies. Both can work against long-term development of sustainable businesses.

[6] www.entrepreneur.com

Financing For Social Enterprise *continued...*

By contrast, “patient” capital implies a long-term debt or financial investment with terms and conditions that do not require quick repayment or a desire to move the money on in a speedy fashion.

Many social enterprises require “patient capital.”

5. BE AWARE OF THE FINANCIERS’ INTEREST

As was discussed at the beginning of this guide, it is important to keep in mind the objectives of the financier and to try to understand where the profile of the social enterprise seeking financing fits in the complicated array of lender/investor interests. The table on the following page is an aid to this understanding.

THE SPECTRUM OF SOURCES OF FUNDS AND FINANCIER INTERESTS [7]

Financier Interest	Interest in Social Impact						Interest in Profit
Debt/Equity	**EQUITY**		**DEBT and/or EQUITY**			**DEBT**	
Sources of Funds	Traditional Philanthropy	Venture Philanthropy	Community Debt Financing	Community Development Equity/Venture Capital	Angel Investors and Social Venture Capital	Socially Responsible Investment	Traditional Capital
Financial entities	• Vancouver Foundation • Tides Canada • Gov't Grants • Donations	• BC Technology Social Venture Partners (BCTSVP) • ENP	• Community Futures Development Corporations • Vancity Comm. Foundation	• Ecotrust • Renewal Partners • Vancity Capital Corporation	• Social Capital Partners • Individual Philanthropists	Vancity Savings Credit Union "Shared Growth" Deposits	• Banks & Credit Unions • Finance Co's Credit Cards
Examples	• POD Grants • CEDTAP Grants	Financial support along with technical help	Program Related Investment loans to charities	Investment shares in co-operatives	Forgivable loans or grant/ loan combos	Community Loan Funds	Vehicle loan or secured mortgage
Characteristics	Grants seek to maximize social impact	Grants seen as a form of social investment	Higher risk or lower cost loans made for economic development and social impact	Investors may make money from interest but may never recover principal	Unsecured investments for seed funding/start ups	Secured loans for social impact.	Conventional offerings term loans, lines of credit etc.
Measurement of Social Impact	Evaluative methods e.g. Program Logic Models	• Balanced Score Card • Social or environmental audit	Assessed when loan given, then often assumed	Qualitative or anecdotal social impact assessment	Qualitative or anecdotal social impact assessment	Social audits, negative screens and "shareholder advocacy"	None
Measurement of Financial Success	None	None	Modest financial return on investment	Investment shares in co-operatives	Pursuit of "profit with principles" & philanthropic objectives	Market return on investment or slightly below	Seek to maximize financial return

[7] Penny Handford, ChangeWorks Consulting , modified from A Spectrum of Investor Institutions and Factors Related to their Activities in The Blended Value Proposition: Maximizing Value in the Pursuit of Multiple Returns Vancouver Presentation Jed Emerson 2003 http://www.blendedvalue.org

THE SOURCES OF FUNDS & STAGE OF BUSINESS DEVELOPMENT (Details in Resources Beginning on Page 50)

Business Development Stage	Sources of Grants and Technical Assistance	Sources of Equity Financing	Sources of Debt Financing
Building Organizational Capacity	• Centre for Sustainability - POD Grants • Coast Capital Savings Community Fund – Grants • Coast Capital Savings Foundation (youth) • Endswell Foundation • Tides Foundation • Vancity Savings Credit Union – Grants • Vancity Community Foundation – grants • Vancouver Foundation		
Business Plan Development	• BCTSVP • CEDTAP grants • Coast Capital Savings CED Department • Enterprising Non-profits Program • Vancity Community Foundation – grants		
Start Up	• BCT SVP	• Renewal Partners • Social Venture Partners • New Social Venture Fund	• CCEC • Community Futures Development Corporations • Coast Capital Savings Rising Tide 2 Fund • Ecotrust • Vancity Savings Credit Union • Vancity Community Foundation – loans
Operating		• Renewal Partners • Social Venture Partners • New Social Venture Fund	• Vancity Capital Corporation • Ecotrust

What Do Bankers Want?

Financiers love doing "deals." Loans and investments are made according to a blend of a number of factors such as character, track record, capacity to grow, collateral, market conditions and so on. Each combination of factors is unique.

Demystifying loan decision making process involves looking at the transaction from the point of view of bankers. Bankers will look at the character of the borrower, the capacity of the business, the available collateral, the capital available and economic conditions. This list is known as the Five Cs of Lending. Some bankers have added additional "Cs" however the five "Cs" cover the fundamentals. Once the banker has information about each element, the loan decision is based on the balance between them.

1. THE FIVE C'S OF LENDING

Character

Lenders are always concerned with the character of their borrowers. Are they honest? Will they make all the effort needed to meet their financial obligation to the lender? For the most part, there is not a quantifiable measure to judge character. However, a lender will look at qualifications, experience and management skills, as well as the borrower's past payment experience (especially with the lender) and review a credit bureau report. As the assessment of character is largely subjective, it has a lot to do with the general impression a borrower makes on the lender. It is important to be prepared before meeting a lender so that you can make a good first impression.

Capacity

The lender will look at the financial ability of the social enterprise to pay back the loan based on the history of the business, on-going cash flow, and assets. Profitability and cash flow are of critical interest to the lender who will be looking at whether the business has the cash flow to meet the debt obligations in the short term and the profitability to meet debt obligations in the long term.

Collateral

Collateral are the assets that the lender uses as a backup to recover funds if the enterprise defaults on a loan. The liquidation value of these assets (the amount of cash an asset would realize if sold) must be sufficient to pay back the lender in case of the business collapses. In many cases, the collateral is the asset (house, vehicle) that the loan is used to purchase.

Capital

This is really the same as equity. As equity increases, the money that has to be acquired through loans decreases.

What Do Bankers Want? *continued...*

Loans require regular payments and are not flexible. If the cash flow of a business is low one month, the loan payment still has to be made. The return on an equity investment, on the other hand, is flexible and varies with the success of the business. It is therefore generally preferable to have as little debt and as much equity as possible.

For this reason, bankers are particularly interested in the ***Debt to Equity Ratio***. Debt to Equity Ratio is also referred to as *Debt Ratio*, *Financial Leverage Ratio* or *Leverage Ratio*. . For bankers, the upper acceptable limit of the debt to equity ratio is usually 2:1, with no more than one-third of the debt being long term.

As well as the financial stability it provides, bankers want to see a significant level of equity because, to them, this represents the commitment of the borrower. If the borrower has created significant equity in the business, bankers reason that this will provide the borrower with the motivation to put in the energy and time it takes to make the business successful.

Conditions

Conditions refer to the national and local economy, the industry, and the bank itself. This is often difficult to quantify but the lender will be thinking about:

- general economy, nationally, provincially and locally
- interest rates.
- economic conditions that exist for the business. What are price prospects? What problems does the industry face?
- the financial institution’s current level of losses and problem loans
- the financial institution’s willingness to risk making loans in some environments. For example, some financial institutions limit the number, and/or amount, of loans made in one-industry towns. Even if there is a strong market, a financial institution which has already made significant loans to businesses in a certain market may not be willing to make any further loans in that sector.

2. LOAN DECISION MODEL

Once the lender has gathered the information about character, capacity, collateral, capital, and economic conditions, each element has to be weighed against the others. The resulting decision will reflect the balance of these factors.

The diagram of the loan decision model on the following page provides a picture of the balancing of the elements. The diagram is of a beam balanced on a fulcrum. As weight is added to either side, the beam will tip to one side or the other. A perfectly balanced beam means that the elements are in balance and it is clear that a loan can be approved. In life however the beam is rarely perfectly balanced and the decision is a judgement made by the banker.

The loan decision model in the diagram contains five pieces that can roughly be equated to the Five C’s of Lending.

What Do Bankers Want? *continued...*

Management

Management means the same as character in the Five C's. The banker using this model is particularly interested in the experience, education, skills, and capabilities of the borrower. In this model, the banker believes the ideal would be a person who has run this kind of business successfully in the past.

Repayment

Repayment means the same as capacity. The banker using this model is looking at the past performance of the business, financial forecasts, stability, and flexibility. In this model, the banker believes that the ideal would be a business that has three years of successful past performance.

Equity

Equity means the same as capital. The banker using this model is looking at the cash contributions that can be made by the borrower. For this banker, the ideal would be a business which has a third of the required capital in equity.

Security

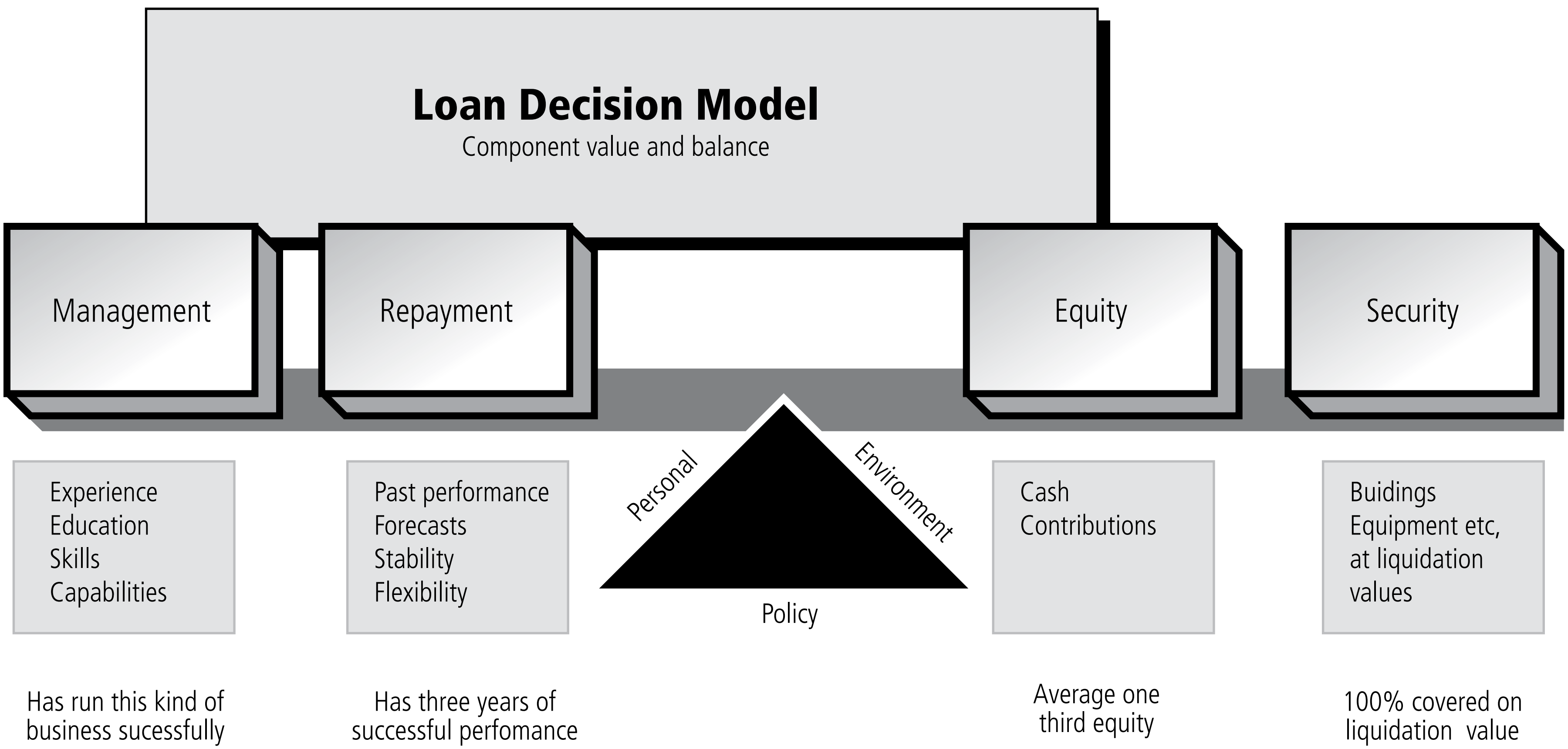
Security means the same as collateral. The banker using this model is looking at the liquidation values of the property and equipment owned by the business. For this banker, the ideal would be a business which has enough equity in the buildings and equipment that, should they have to be sold (liquidated), the amount on cash realized would cover 100% of any money owing to the bank.

The Personal/Environment/Policy Triangle

The Personal/Environment/Policy Triangle is roughly the same as conditions in the Five C's of Lending and, in this loan decision model, is the fulcrum upon which the other elements are balanced. The discretionary power of the banker lies in this area.

- **Personal** refers to the personal opinions of the lender, his or her values, prejudices, and previous experience related to the type of loan in question.
- **Environment** refers to the general economy, interest rates, economic conditions that exist for the business, the financial institution's current level of losses and problem loans and so.
- **Policy** refers to any bank or government policies that apply to the loan in question. Such policies may apply in any of the areas, that is the areas of management, repayment, equity, or security. For example,
    - Management & Repayment: there may be a policy that waives or reduces the requirement for previous experience and/or past performance indicators in the case of youth entrepreneurs or entrepreneurs with disabilities.
    - Equity & Security: there may be a policy to require less equity and/or security for loans which are backed by a loan loss reserve from Western Economic Diversification.

Loan Decision Model: Reprinted with permission from Sunrich Management Inc.



Tips For Raising Capital

From Fundamentals of CED (with slight modifications.) Pieter van Gils, Making Waves, Vol11, No.4.
Reproduced with the permission of the author.

Tip #1 - Form a board of directors.
Or barring that, an advisory board. Collect experienced, prominent, successful business people and associate them with your business.

These people can be valuable for a couple of reasons. First, they will form a rich pool of advice and experience you can use to help you build a successful business. But second, they will also have an impact on the impressions of the people you want to bring as lenders or investors. A board composed of people highly regarded in the community or your industry gives you a lot of credibility.

The truth is, you'll need a board eventually anyway. You might as well benefit from having one up front.

Tip #2 - Prepare a Business Plan.
This may seem pretty obvious, but there are a few important points to be made here.

First, you need to know your business plan backwards and forwards, inside and out. If you've written it yourself this is a given. If you have had it prepared by others, this will take some work to make sure you know everything that is in it. You don't want to be stumped by some innocuous questions from someone reviewing it. People investing or lending money want to feel that you are in top of every aspect of the business.

Second, take the time to write an executive summary yourself. It is the section that gets read the most. It needs to provide a really high-level overview that emphasizes the company's potential. The person who wrote the plan will tend to summarize the detail instead of the vision. The summary needs to provide the essence of what you do, for whom you do it, and how big the market is. Include some information on the calibre of the tem you have assembled to add confidence that the potential can actually be achieved. Work this summary over and over, and over again – get it down to one page.

Once you have sweated it down to one page, write another version in one paragraph. This succinct expression of what you do is invaluable for letters, telephone calls, presentations, and general contacts you have with people about your company. You will use it over and over again.

This page and one paragraph will also get plagiarized by your bankers and investors. They all have investment committees, quarterly reports, and partners to whom they must explain your business. Having your words at their disposal makes their life easier and provides you with some consistency of message in third party discussions.

Tips For Raising Capital *continued...*

Tip # 3 - Know how much you want.
Put some detail to the figure. If you are at an early stage before profitability, explain it in terms of the monthly “burn rate”: the cash you’re burning monthly to keep the operation on the intended scale and profitability. Somehow, it is a whole lot more appetizing to invest in “ramping up” growth instead of financing losses. If it is your intention to expand an existing program or venture, factor in a healthy margin of working capital. Think big. Make provisions for the possibility that things will go much better – or much worse – than you expect. A good (if incredibly simplistic) rule is to take whatever amount your cash flow projections you need then double it.

Tip # 4 - Use a professional to help you.
In the unlikely case that that you love raising money and are good at it, ignore this tip. You may actually do better doing the job all by yourself. However, most business owners raise money infrequently, lack connections in the financial industry, and don’t like the task.

With a little legwork you can find a professional who understands precisely the financing you need, whether it is equity or subordinated debt. To find such a person, ask questions. For whom have they raised money? With which investors and lenders have they placed deals? Phone these people. Ask for references. You will learn volumes.

Again, you are looking for someone good. A professional can translate the information you provide into the kind of language a financier wants to hear. People who don’t raise money regularly for clients in your industry will be learning on your tab and will be of less benefit to you.

Tip #5 - Pitch the deal in person.
You are asking for an important sum of money. What you need to remember is that most people in the finance industry are very busy and are trying to wade through scores of proposals to find the “the” good one. Mailing in your business plan is sheer laziness and will likely get you nowhere.

To get you out of the morning mail and into the appointment book, pitch the deal in person. What’s more, pitch it to the person who will be reviewing your type of proposal (i.e. real estate or working capital, seed money or commercialization etc.)

Tip #6 - Don’t discount equity financing because you are too small.
People often think they need to be a relatively large or well-established company to attract equity financing. In fact, the current size of your company is not relevant. Of interest to an investor are the potential applications of your technology, the size of the market, and your vision to capture the market. Investors’ return comes from the future, not the present. So the earlier they find you, in fact, the more “upside (potential profit) they have. But again, do your homework so you can get our business in front of investors with that early stage appetite.

Tips For Raising Capital *continued...*

Tip #7 - Treat the task of raising funds like the selling of your products.
When in search of equity, don't imagine yourself going on bended knee. Approach it as you would the challenge of selling to a major customer. Apart from people who happen to be related to you, nobody is investing or lending you money out of the goodness of their hearts. When someone gives you money, it is because there is something in it for them. They think they can make money from what you are selling, namely your company.

If the financier says "no," don't take it personally. You haven't made the sale, that's all. It happens all the time. It's neither you nor your business being rejected – the proposal simply does not fit what this "client" wants to "buy". Go on to the next potential buyer.

On the other hand, unless these people invest and lend they don't make any money. If they don't make money, there goes the BMW and the Rolex. Believe me, they are motivated to do deals.

Tip #8 - Find out who has done a good deal lately.
Bankers and venture capitalists are like anything else in this world: there are good ones and there are not-so-good ones. So ask around. If you can find a good one who deals in your industry or can understand it, you will be miles ahead. If you find yourself going into a place asking to see just anybody, then you really haven't done your homework. You wouldn't pick a doctor or even lawyer that way. Don't do it when you are out raising money.

If you can get someone with a relatively strong business to recommend a financier, ask your contact if you can say who refereed you. Sometimes that association itself will get you a better first impression.

Tip #9 - Avoid getting hung up on valuation too early
One thing about venture capitalists is that, by their nature, they love to negotiate the mechanics of the deal. The businessperson is often sensitive to the chunk of ownership s/he will have to give up. It is a reap for both parties to worry too much about valuation – about how much your company is worth- especially in the early stages.

There are so many ways to resolve valuation issues, the complications might lose the deal if you push it too hard. Instead, hook investors on your potential opportunity. Show them where you are going. Rather than getting obsessed about where you are.

Valuation is going to be an issue eventually. When you're looking for money, however, it's more important to generate interest, to get the right amount of money, and to get it from the right people.

Case Study #1

Strathcona Community Dental Clinic

Strathcona Community Dental Clinic offers barrier-free dental services to children from across Vancouver. Although the clinic is accessible to anyone, it specializes in serving immigrant, low-income and aboriginal children, who are statistically more vulnerable to dental decay, which is the most common chronic disease of childhood. The project originated with a community organizing process that recognized the poor level of dental health of local children and its effect on school readiness and school success.

The Strathcona Health Society developed the Clinic. The social mission of the Society is to measurably improve the dental and overall health of children in Vancouver's Downtown Eastside. According to Kyle Pearce, a Society board member, the clinic started out "with nothing but a few good ideas and a lot of attitude!"

From 1997 – 2002 Strathcona and Seymour elementary schools ranked among Vancouver's worst five schools in terms of the presence of visible cavities in kindergarten and grade 5 students. Although the provincial "Healthy Kids" program provides basic dental benefits for children in low-income families who are not covered by federal or employer sponsored medical insurance plans, these families are often not able to make use of the program. The Strathcona Health Society identified that the barriers to getting dental care include access to information, language barriers, access to a dentist, and income related issues including the fact that many parents work long hours at low paying jobs with little flexibility.

The challenge faced by the Strathcona Health Society was to find a way to make dental care accessible to low income families, to find dental professionals interested in working in this environment and to do this is in a financially sustainable manner. Their solution was to provide dental services at Strathcona Elementary School on a fee for service basis.

Financing

Advice, Support and Technical Assistance

Developing a financing strategy for the Clinic was a challenge. Initial credibility came from the board of the Society, which included the chair of pediatric dentistry at U.B.C., community health advocates, school principals, and parents.

Business credibility came with the support of the Vancity group of companies, which initially provided informal but intensive, assistance through Vancity Community Foundation. This initial support included confirmation of the viability of the business, support in developing documents for the business plan, and mentorship in the first few months of operations. Later, technical assistance was provided by an investment manager at Vancity Capital Corporation who became a member of the Society's board of directors.

Case Study #1 *continued...*

Start Up

One of the first tasks for the Strathcona Community Dental Clinic was to find suitable space. A three-year lease, with a renewal option for an additional three years, was negotiated with the Vancouver School Board, for 1,200 square feet of space in the basement of Strathcona Elementary School.

The Strathcona Health Society was able to develop a financing strategy that consisted of both equity (donations and grants) and debt (loans.) The initial influx of funds came through the Vancouver Agreement by way of the Western Economic Partnership Agreement (WEPA), the Lotus Light Charity Society (a Bhuddist charity organization) and the John Hardie Mitchell Family Foundation. A loan from the Vancity Community Foundation – a combination of a term loan and an operating line of credit – enabled several months of operations. With this capital, the Society was able to move forward.

Furthermore, before opening, the Society conducted a fundraising campaign to provide resources for families with no ability to pay. This campaign raised a significant amount of money, primarily from Lower Mainland dentists.

Becoming Sustainable

At about the year and a half level, Strathcona Community Dental Clinic was serving over 1,100 clients and the board realized that there was a good chance that the social enterprise could become sustainable. The Society applied for, and received a grant from Vancity Savings Credit Union, to do strategic planning and investments in critical areas of the business. The grant is being used to build business expertise and acumen, to work with funders, to develop community relations and to develop marketing and promotion initiatives. While the expectation was that the Clinic would have a balanced budget by the end of 2005, that goal was achieved in the 2004 fiscal year.

Social Impact

The Strathcona Health Society provides dental services for families who otherwise would not be receiving treatment or prevention information. In addition, it engages in three prevention activities: a weekly fluoride rinse program in which almost 90% of the students are enrolled, class-based prevention education, and public health promotion in a variety of community settings.

In the first year of operations, three year-old patients with over 10 cavities, and 9 year-olds who had never been in a dental clinic, were typical patients. In addition, the organization quickly realized that seniors had to be included as beneficiaries, since seniors are often responsible for childcare in the area. In its first year of operations, the clinic referred over 30 children for surgery under general anesthetic (the most common reason for children receiving surgery). In the past year, only three such referrals were made, indicating that early intervention is having a positive preventive effect.

Case Study #1 *continued...*

In addition, clinic staff has tracked students who initially have poor dental hygiene, and in most cases, this has improved over time. Finally, clients become more accustomed to the dental setting, and this has reduced patient anxiety around dental treatments.

With the success of the social enterprise, and the impact on the dental health of children from low-income families, the Strathcona Community Dental Clinic is becoming a model for other communities with similar demographics.

Case Study #2

Atira Property Management Incorporated

www.atira.ca

Atira Property Management Incorporated is licensed under the Real Estate Act and provides a full selection of residential property management services to strata corporations, non-profit and co-operative housing societies, as well as to commercial units.

This social enterprise was developed by Atira Women's Resource Society. The Society's mission statement is:

> "Atira Women's Resource Society is a community-based organization that supports all women, and their children, who are experiencing the impact of violence committed against them and/or their children. Through education, advocacy, and outreach, Atira is an active voice in the struggle to end violence against women and their children. Our feminist-based philosophy informs all our work with ourselves, each other and the community."

Atira Women's Resource Society offers both residential and non-residential programs located in White Rock, Surrey, and the Downtown Eastside. The residential programs include first stage transition houses, a second stage transition house, an emergency shelter and permanent supported housing.

Atira Property Management was developed in order to create a source of unrestricted funds for the Atira Women's Resource Society. It was chosen as an enterprise because, as the result of managing the transition houses, second stage housing and so on, Atira Women's Resource Society had, in the words of the executive director "accidentally acquired excellent property management skills."

Financing

Writing the Business Plan

Atira's first challenge was to write the business plan. The Society received a grant from Vancity Savings Credit Union and used the funds to hire a co-op student from UBC to assist them to do this. The student and the executive director worked together to develop the business plan.

Using money from the Society's reserved funds; Atira then conducted market research using "in house" expertise.

The next step was to develop the marketing plan. The Society applied for, and received, a grant from the Enterprising Non-profits Program. Atira matched the ENP grant with funds of their own, and hired the Institute for Media, Policy, and Civil Society (IMPACS) – itself a social enterprise – to develop the marketing plan.

[9] co-op student is a university or college student who is working in their field for a semester. They receive credit for the semester.

Case Study #2 *continued...*

Start Up

To cover start up costs, Atira Property Management Incorporated received two loans: one from Atira Women's Resource Society and one from Vancity Capital Corporation.

The Society regards the business and marketing plans as critical documents because they formed the basis for the application for the loan from Vancity Capital Corporation. The executive director believes that this loan was important, not only for the development of the business, but also because it put the company on the same footing as other property management companies, therefore deflecting any criticism that, as a non-profit society, Atira enjoyed an unfair competitive advantage.

The first manager of the social enterprise was a woman who had been a resident in a program offered by the Society. She enrolled in the Real Estate Board's property management course and received a property management license. To make this possible, the Society paid her tuition fees for the course and salary while she took the course.

The social enterprise was launched on October 5, 2002.

The development strategy in the business plan called for the purchase of other property management companies as well as the marketing of the services of Atira Property Management Incorporated. In 2004, Atira purchased the portfolio of another property management company and took on its staff.

Becoming Sustainable

Atira Property Management is ahead of the timeline set out in the business plan.

In the month of September 2003, for the first time and a little less than two years after the launch, Atria Property Management Incorporated brought in more revenue than it put out in expenditures.

Atira currently earns a regular monthly profit. The company intends to look for other opportunities to purchase suitable property management portfolios as, and when, it can.

Atira Women's Resource Society has recently developed a partnership with Social Capital Partners, which it hopes will assist the company to grow to scale.

The next steps for Atira's social enterprise are:

- to revise the business plan.
- to develop new three year financial projections.
- to move their Vancouver office into more suitable premises.
- to develop a strategy or policy for the use of the profit. Probably this will be in the form of a percentage split between reinvestment in the business and funds which will be passed back to Atira Women's Resource Society to support the Society's mission.

Case Study #2 *continued...*

Social Impact

The executive director of Atira Women's Resource Society reports that the publicity surrounding the property management company has raised the profile of the Society and the work it does.

The property management company is not yet donating any money to the Society although board members will decide at the next board meeting scheduled for May how much of the current profit will be turned over to the Society and at what interval. The potential for funding has had a positive influence on the morale of the employees of the Society. The development of the social enterprise gives the employees hope that the Society will be sustainable in the future, that women who have been abused will continue to receive help, and that the staff will remain employed.

Case Study #3

Potluck Café & Catering

www.potluckcatering.com

Potluck Café and Catering is a social enterprise which operates in the Downtown Eastside of Vancouver.

Potluck's vision is to help transform the lives of individuals in Vancouver's Downtown Eastside community by:

- serving daily nutritious meals to over 100 area residents each weekday – many of whom suffer from HIV/AIDS or Hepatitis C
- running a community kitchen which provides nutritional information and the opportunity for area residents to prepare a meal and share a meal together with leftovers being taken home by the participants
- providing full time training employment for eleven, formally at risk, Downtown Eastside residents.

These programs are funded, almost entirely from revenues generated by Potluck Catering, a full service catering & event planning company.

Start Up

The Potluck Café Society grew from an initiative of a "youth-at-risk" employment initiative started by United We Can in 1999 and funded by financial contributions from (then) HRDC. Through this initiative street involved youth were trained and employed to provide nightly hot meals for binners[10]

The social enterprise came into form through the assistance of:

- the donation of unused space by the Portland Hotel
- a start up grant from the (then) Ministry of Community Development, Co-operatives and Volunteers,
- a grant from Vancouver Foundation to purchase equipment
- a contribution agreement with HRDC for training

The first contract – although this was subsidized by Potluck – was with A Loving Spoonful Society[11] for food for those with HIV/AIDS and Hepatitis C. This contract continued until July of 2004 when it became too expensive for either organization to cover the costs.

[10]Binners are people who collect recyclable bottles, cans etc from recycling bins or garbage containers and who return them recycling depots in order to claim the refundable deposit.
[11]Loving Spoonful is a volunteer-driven, non-partisan society that provides free nutritious meals to people living with HIV/AIDS in the Greater Vancouver area.

Case Study #3 *continued...*

While new premises for Potluck Café were being renovated, the enterprise operated from a community kitchen. During this time, the overhead costs were very low and the enterprise was able to build up a cash reserve.

In March 2002, Potluck Café and Catering officially opened its doors in its permanent premises. At this time, the catering department was serving only non-profit organizations. The social programs were supported by grants and by some of the revenue from the catering business.

However, there were soon challenges:

- the training program was in jeopardy because the contribution agreement with HRDC came to an end in August 2002. The society continued to be able to obtain minimal HRDC funds through targeted wage subsidies and summer career placement programs but this was not sufficient.
- there was no assistance available from the provincial government
- cash reserves, being used to supplement operating costs, were being depleted.

New management was brought in and the enterprise focused upon becoming sustainable. A grant was obtained from the Enterprising Non-profits Program (which the Society matched with "in-kind" contributions) for the redevelopment of the business plan.

Potluck obtained technical support for writing the business plan from a consultant with Price Waterhouse Coopers who agreed to do most of the work pro-bono. This person later joined Potluck's board of directors.

Toward Sustainability

From 2002 to 2005, Potluck moved forward using a combination of grants, loans and technical assistance. Grants included:

A grant from Central City Mission for the meals provided to the Downtown Eastside residents, this grant ended in March of 2004.
As of April 2004, gaming funds were obtained for the meals provided to the Downtown Eastside residents
A multi-year commitment from the Co-operators Group to support capacity-building initiatives for Potluck's businesses,
A grant from Vancity Community Foundation to pay part of the salary of a full time food services manager,

- A multi-year commitment from BC Technology Social Venture Partners to support capacity-building initiatives for Potluck's businesses. These include partially supporting a van purchase, catering equipment purchases, software purchase and development of a marketing plan

Case Study #3 *continued...*

- Grant from Vancity Savings Credit Union for service delivery costs
- Grant from Vancity Community Foundation for service delivery costs
- Grant from Vancouver Foundation for service delivery costs

Loans included:

- An operating line of credit from Vancity Savings Credit Union.

A loan from Vancity Capital Corporation to pay for the balance of the cost of a second van. (by 2005, Potluck had three vans.)

Technical Assistance included:

- The Vancity group provided a great deal of moral support and technical assistance, particularly in the early days. Continuing assistance is offered through informal consultations.
- BCTSVP has provided technical assistance in the form of
- Helping to develop a long term marketing plan
- Assisting in the implementation of tactical marketing campaigns
- Helping to develop an online ordering channel
- Assisting senior staff to manage growth
- Assisting in the implementation of new back office system tools

Sustainability by the end of 2006

Since 2002, grant funding has accounted for only 10% of total revenues and only one of Potluck's social programs receives any funding support. This is the free meal program which gets 25% of its funds from gaming.

By the end of 2004, Potluck Catering offered a diverse menu for any type of diet and for everything occasion and was building a reputation for quality food and service. The enterprise had over 700 corporate clients, as well as some non-profits and many personal event clients. Potluck averaged approximately $40,000 per month in catering and this did not include other business revenues. Their target for 2005 is to increase these revenues by 20%.

Potluck is now facing the dilemma often encountered by training social enterprises. This challenge is related to the ability of the enterprise to become fully self-sufficient when there are significant additional operating costs related to employing people with significant barriers. Efficiency sometimes dictates that people with industry related skills must be included for the venture to become profitable. Potluck's board, management, and advisors were struggling with the issue of how to balance the objectives of the social mission with the demands of the market place.

With funds from CEDTAP and WD, Potluck is currently exploring two potential new businesses that will both expand the social mandate and contribute to the sustainability of the enterprise.

Case Study #3 *continued...*

Social Impact

Potluck is currently engaged in developing a Social Impact Assessment project. Funders, financial institutions, academics, government representatives, and practitioners are working with Potluck to develop a measurement of social impact that can be used as a model by other social enterprises.

In general, Potluck's social impact lies in the provision of jobs to the previously unemployable and the provision of food to the most needy.

Wisdom Gained

> "The path has not been straightforward for us but I don't believe we are alone. I worry that too many social enterprises, like Potluck, receive support in start up believing erroneously that they will continue to find support along the way. For the most part, this has not been our experience. Potluck only became a "sexy" organization to fund again when we began to break even under our own steam. I believe in the value of social enterprise, however, I guess I am cautious about being overly optimistic and instead I am really focused these days on putting a realistic message out there about what social enterprise truly takes."

- Liz Lougheed Green, Executive Director

Case Study #4

Co-operative Auto Network

Co-operative Auto Network (Can)

www.cooperativeauto.net

The Co-operative Auto Network (CAN) is a non-profit co-operative incorporated to foster car sharing as an alternative to the privately owned automobile. Members share access to over 95 vehicles located in neighbourhoods throughout Vancouver, Burnaby, and North Vancouver. Car sharing provides a flexible alternative to owning a car – whether for close-to-home trips or longer ones. It works best for those who need a car 4 days per week or less often.

CAN pays for all fuels, maintenance, permanent and permit parking, insurance, BCAA and air care. Members pay for the time and kilometres they drive.
Members purchase a one-time refundable share of $500 to join the co-operative. In addition, family members of the main members can purchase associate memberships for $250.
Members also pay a small monthly administration fee. The three charges: admin, hourly and per kilometre are set up in three usage plans to meet the needs of members (high, medium, and low use).
CAN cars are insured for both work and pleasure use with the co-op holding the insurance under a fleet plan option. As with privately owned vehicles, car costs can be claimed as business expenses when the vehicle is used for work purposes.

Start Up

CAN was started in the late 1990's as a student project at Simon Fraser University and is based on similar successful models in Europe.
Start up funds included:

- A grant from Vancity Community Foundation
- A grant from The Co-operators Insurance
- An Eco Action grant from the Government of Canada.

The (then) Ministry of Community Development, Co-operatives and Volunteers, paid for the lawyers' fees on the understanding that anything developed would be shared with other communities who wanted to develop similar co-operatives.

At this point in the development of the enterprise, there were three people involved. These three individuals pooled their assets to use as collateral for the loans they needed to purchase 4-5 cars.

Becoming Sustainable

CAN quickly demonstrated its viability and Vancity Savings Credit Union and Vancity Capital provided loan financing. This allowed the personal loans to be repaid and the acquisition of more cars.

Case Study #4 *continued...*

Co-operative Auto Network

Dependent upon a number of factors, CAN currently both purchases and leases cars. The Co-op is also acquiring hybrid vehicles to further improve their environmental impact.

CAN's operating capital comes from the monthly fees, fees for service charged when a member uses a car and membership shares.

The co-operative began to break even at 65 cars. It now has 95 cars and 1800 members.

The City of Vancouver also assists by allowing co-op vehicles to be parked in any permit zone in the City for the same rates as permits for the West End.

In addition, CAN has an alliance with Discount Car & Truck Rentals to provide discounts for members going many kilometres in a short period of time.

Growth

CAN continues to grow and evolve through innovative new partnerships, for example, with real estate developers who offer CAN cars instead of parking spaces and with Translink, which is partnering on "station cars" for SkyTrain riders.

Measuring the Social and Environmental Impact

Four years after CAN was created, the executive director wanted to be sure that the auto network was achieving the goals that had been set for it and so CAN asked for, and received, a grant from Vancity Community Foundation to do a social audit.

In addition to the grant, Vancity also provided technical expertise about how to conduct a social audit. The audit showed that the Co-op was meeting its objectives by reducing the number of private automobiles on the road, improving the local air quality and reducing greenhouse gas emissions; and promoting a less car dependent community.

Case Study #5

Canadian Eco-lumber Co-operative

www.ecolumber.ca

Eco-Lumber Co-op

Eco-Lumber is a co-operative, created in 2001, with the mission " to promote, develop appropriate markets for, and distribute, members' eco-certified forest products."

The Co-op members are practitioners (community forests, woodlot managers, small-scale sawmills, furniture and cabinetmakers, and other value added wood processors) and advocates. These advocates include many of the best-known and most effective environmental organizations such as Greenpeace and the David Suzuki Foundation.

The Co-op links small, eco-certified wood suppliers, such as the Harrop-Proctor Community Forest (near Nelson) and Iisaak Forest Resources (an innovative Nuu-chah-nulth nation-led forest services company operating exclusively within Clayoquot Sound, BC) to eco-certified manufacturers.

The Co-op then connects the products of these eco-certified manufacturers, such as flooring, doors, plywood, decking, paneling, log home packages and custom furniture, to environmentally conscious consumers. For example, the Hillside Library in Portland Oregon features Iisaak Forest Resources' Forest Stewardship Certified (FSC) certified siding manufactured from western red cedar and provided by the Eco-Lumber Co-op.

Financing

Developing the Business Plan

The idea grew out of the work of non-profit environmental organizations. It was the brainchild of the executive director when he employed by the Silva Forest Foundation. The concept was developed through meetings of likeminded people. These gatherings were supported by a grant from the Endswell Foundation.

Market research was financed by a grant from the Conservation Financing Technical Assistance Program, a joint initiative of Vancity Savings Credit Union, Ecotrust Canada, and Western Economic Diversification.

The writing of the business plan was largely funded by a grant from the Community Economic Development Technical Assistance Program This was topped up by a grant from the Mountain Equipment Co-op and some of the executive director's personal funds.

Case Study #5 *continued...*

Eco-Lumber Co-op

Start Up

The piecing together of start-up financing for the Co-op was complex. On their web site, the Co-op thanks seventeen organizations and foundations for their support. The executive director said that the supporters of the concept came to the Co-op,

> "…with various offerings in terms of equity, in terms of direct support, in terms of debt financing, and in terms of mentoring. And over the (period) that we have been trying to get this co-op up and running all these pieces have come together quite nicely at various times and allowed us to move ahead."

Grants

- Richard Ivey Foundation
- David Suzuki Foundation
- Endswell Foundation
- Rainforest Solution Project
- West Coast Environmental Law
- Silva Forest Foundation
- Greenpeace Canada
- Natural Resources Defense Council

Equity

- Sale of investment shares in the Co-op. Shares were purchased by Renewal Partners, Co-op members, friends and family. The executive director received shares instead of part of his salary.
- A fund established by withholding 5% on purchases. That is, when a product is purchased from a member, the Co-op pays only 95% of the cost. The remaining 5% is put into trust. This equity is used to secure loans and the money in trust will be paid to the purchasers when the loans are repaid.
- A loan from Ecotrust (with money donated from Vancity Capital Corporation) which functions like equity in that the interest rate is tied to the number of sales when these reach a certain level it will be financially prudent to repay the loan.

Loans

- An unsecured loan from Renewal Partners.
- A Community Investment Deposit (CID) loan from Vancity Savings Credit Union. (CID loans are secured by members of Vancity. Members take a lesser percentage of interest on their deposit accounts so that this money can be used for the good of the community.
- A loan from Ecotrust Canada guaranteed by Ecotrust, Renewal Partners and a trust account set up by a group of environmental organizations.

Case Study #5 *continued...*

Becoming Sustainable

Marketing Assistance

Ecotrust Canada and Vancity Savings Credit Union have provided the Co-op with marketing support.

One of Ecotrust Canada's staff offered a contact which led to Eco-Lumber Co-op's first sale, an FSC-certified polished Douglas Fir floor in an East Vancouver home. Its second sale refurbished the Vancouver office of Ecotrust with FSC-certified birch desktops. Two Ecotrust Canada staff members have also recently purchased wood floors from the Co-op.

As well, Vancity Savings Credit Union purchased lumber from the co-op to build its first green branch on the North Shore of Vancouver.

Greenpeace has also been assisting with the marketing by linking the Co-op to their global connections.

Growth and Development

In June 2003, the Co-op opened a showroom and warehouse, which they rent in Richmond.

A year later, Ecotrust Canada and Vancity Capital Corporation provided further loans to make it possible for the Co-op to buy a large inventory of eco-certified wood from Iisaak Forest Resources. This loan is secured by the inventory and is at a high rate of interest.

Next Steps

According to the executive director, the next steps are:

- to secure an operating line of credit to allow the Co-op to purchase inventory which can be quickly moved into the marketplace,
- to build up equity, and
- to continue to reinvent the Co-op as they learn what works and what does not.

Environmental Impact

To date, the Co-op has been successful on three fronts,

- the FSC certified products of the practitioner members are recognized in the market place, there is an outlet for them, and they are finding appreciative markets.
- those, such as architects, artists and craftspeople, who want to purchase FSC certified products know where to find it.
- Because they are finding markets for FSC certified products, the advocacy groups can point to the Co-op as a demonstration that eco-forestry as a viable alternative to clearcutting.

Case Study #6

Vancouver Purchasing Portal

www.sppvancouver.org

Vancouver Social Purchasing Portal is a venture developed by Fast Track to Employment (FTE) in partnership with BC Technology Social Venture Partners.

The social portal is a web-based application which integrates corporate social responsibility into purchaser/supplier relationships and builds on existing community based employment services and community development efforts.

Through the web site, businesses can get in touch with suppliers (for example, food services/ catering, printing, packaging, couriers, promotional materials, building maintenance, recycling, and landscaping) that generate social value. The social value created is economic development in areas of economic depression, employment opportunities for the hard-to-employ and social enterprise growth.

For example, when Pivotal Software needed caterers for company events, through the social portal, they chose Cook Studio Catering, a Downtown Eastside caterer that is also a training program for welfare recipients moving to work and youth at risk.

Background

The purpose of FTE is to provide a supportive and successful path to employment that assists the unemployed to re-enter and sustain their participation in the labour market.

The goal of FTE is to guide and facilitate existing community-based training providers and educational institutions into a coordinated and integrated array of services, using industry-designed curriculum that is directly linked to employment opportunities

FTE was inspired by FIT Ireland which, in 1998, developed a concept for the training of long-term unemployed people for a full-time career in the IT (Information Technology) sector. With the active cooperation of local government, IT companies, community-based training providers and educators, FIT Ireland provided Irish communities with previously high levels of long-term unemployment, the opportunity to prosper.

FTE approached the IT sector in Vancouver and found that the FIT Ireland model does not transfer directly because there are no entry level IT jobs in BC. However, the Vancouver IT sector was interested in discussing other innovative models.

Case Study #6 *continued...*

Business Development and Startup

There were a number of sources of development funds:

- FTE's retained earnings
- A grant from Vancity Community Foundation
- A grant from the Vancouver Foundation for developing ways to include the non-profit sector
- A grant from BCTSVP for each of the three years, 2002 – 2004 (3 years is the maximum period for BCTSVP)
- BCT SVP provided technical assistance in the form of
- System design
- Business concept development
- Policy and implementation
- Marketing and promotion
- Web site design and hosting

The Social Purchasing Portal was launched June 2003. In less than a year over 50 purchasing partners and 35 suppliers were online generating over $300,000 of targeted business activity and creating over a dozen full-time jobs for youth at risk and hard to employ persons through the participating suppliers.

Becoming Sustainable

The Social Purchasing Portal is not expected to become fully self-sustaining. There will always be the need for some funding support.

Currently the sources of income include:

- Funds from Western Economic Diversification through the Vancouver Agreement
- BCTSVP
- Some funds from advertising generated by placing member profiles on the web site

However, the Social Purchasing Portal will become less costly in the future, as FTE is planning to expand into new areas. This will reduce the fixed costs of the Social Purchasing Portal, as some of these costs will be assigned to other ventures.

Social Impact
Increased Corporate Social Responsibility

Businesses still buy products and services based on price, quality, and service. However, the SPP enables them to inject social value into their buying decisions, giving them the opportunity to contribute to their community. In addition, they have a ready labour pool of qualified, dedicated individuals for entry-level jobs such as forklift operation, office administration, cleaning, shipping, woodworking, and restaurant help.

Case Study #6 *continued...*

Increased Employment Opportunities for Disadvantaged People

The SPP provides nonprofits who train disadvantaged individuals with an opportunity to match their clients' skills to employers who look beyond their resume to the quality of the work and dedication these individuals can bring to their jobs, thus increasing the number of hires from the graduates of their programs.

Increased Customers for Social Enterprises

Social enterprises which participate as suppliers of goods and services, have access to new customers which increases demand for their products and services enabling them to become more sustainable and hire even more disadvantaged persons.

Increased Social/Community Capital

Everyone in the community benefits through new and developing relationships between all the players: non-profits/for profits, public/private, educational programs, and so on.

Case Study #7

United We Can Bottle Depot

www.unitedwecan.ca

United We Can Bottle Depot is a recycling depot in the Downtown Eastside of Vancouver.

United We Can is a registered charity which describes itself as "a charity which means business." United We Can creates self sustaining enterprises that focus on caring for the urban environment and which create income and job training opportunities for people of the inner city. United We Can is committed to supporting projects that provide long term sustainability without ongoing dependence on public funding.

Background

In the late 1980s and early 1990s there were no bottle depots in the Downtown Eastside and the local retailers were not able to handle all the bottles and cans that were returned to them. First, they did not have the space to store the volume of containers being returned to them. Second, many of the containers were not sold in the retail outlets to which they were being returned. Third, the containers were often unsanitary and inappropriate to be stored at outlets where food was being sold.

The current executive director and another "binner" approached a minister from a local church to seek support to address this issue. They applied for, and received, a small grant from the Dendorff Morris Trust Fund. This money was used for a demonstration event in which people were invited, on a certain day, to bring containers to Victory Square in the Downtown Eastside of Vancouver. People were paid 10 cents for containers under a litre and 25 cents for containers over a litre, to a maximum of $10 per person. There was a huge response and all except $2-300 was used for refunds and a truck to haul away the containers.

With this money plus some assistance from MHR, the United Way and RayCam Community Centre, a series of workshops were held. These meetings were essentially street level consultations about the refund/deposit system. The result was the belief that that a grassroots operated recycling depot should and could be created.

However, translating this idea into reality took a long time and entailed true grass roots organizing. Fortunately, the initiative had a champion, a person who had lived on the streets. This champion kept the initiative alive with his donation of time, energy, and often money and a non-profit society called Save Our Living Environment (SOLE) was formed. United We Can Bottle Depot was developed as a project of SOLE. United We Can was later created as a registered charity.

Case Study #7 *continued...*

Business Development and Start Up

Some of the sources of funds for the business development and start up were:

- Contribution agreement with (then) HRDC for training. However, because SOLE was an unproven society, the funds were channeled through the Gastown Business Improvement Society. A computer was purchased with these funds.
- A grant from the Province paid the rent, brought a cash register, and a safe.
- Grant from Vancity Community Foundation for letterhead, signage etc
- Grant from WED to write the business plan.
- There was initially a line of credit with Vancity Credit Union
- With the help of the signature of a member of Vancity, the line of credit was replaced with a low interest loan from Vancity Community Foundation
- Western Brewer's Association donated a truck

The Bottle Depot opened in January 1995. At this time, none of the bottle recycling depots were able to make a profit because of the rate structures determined by the consortiums established by the manufacturers. United We Can Bottle Depot struggled to survive, developing other initiatives such as a lane cleaning service and a bike repair shop which contributed to the overhead costs. United We Can received help from many different sources during these years including funds from Samuel and Saiyde Bronfman Family Foundation, PEACH, Business Improvement Associations, Vancouver City, Ministry of Skills Training & Labour/SFU and many others.

Sustainability

When these handling fee structures were changed in 1999, United We Can Bottle Depot was able to break even. It is now sustainable with a surplus of income over expenses. These surpluses are directed to growing other social enterprises.

However, United We Can currently faces significant competition. Whereas, at one time, no one was interested in operating a recycling depot in the inner city, there are now four in the general vicinity. As these depots are not using a CED model, they may be more efficient. Also because they have more capital and lower overhead costs, (they are located in an area zoned light Industrial) they may be able to grow other aspects of the business (such as scrap metal, paper, etc.) with which United We Can cannot compete.

The Executive Director also commented that United We Can does not have the skill sets or business acumen which are needed in a competitive environment. In addition, because United We can is non-profit organization and not a registered company, they are asked to respond to many different interests including academics, government services, social and community development bodies and public relations. This work all eats into the time and money of the organization because it is usually not covered in budgets of those seeking service.

Case Study #7 *continued...*

United We Can

Incubation and Diversification

United We Can has developed two other social enterprises, the lane cleaning service has developed from a project into an enterprise, and recently a commercial collection service has been launched. There are also a number of initiatives including: a bike repair shop and a plant shop which do not create surpluses.

Social Impact

Annually:

- $2 million flows into the economy of the Downtown East side through refunds on recyclable containers
- $500,000 paid in wages for everything from one day a week part-time employees to full time employees.
- United We Can has made significant contributions to community development in the Downtown Eastside of Vancouver.
- United We Can has played, and continues to play, a significant advocacy role both on an individual level and at the systems level.

Glossary

Asset: An item of value owned by your business, e.g. cash, stock, equipment, inventory, property, goodwill.

Burn rate: The cash the business is using monthly to keep the operation on the intended scale and profitability.

Capital: The money that is used for making profit.

Collateral or security: Property or goods (assets) pledged to the lender until the loan is repaid e.g. equity in your house, car, savings, or equipment. If the loan is not raid the lender will seize the asset and sell it to recover the unpaid balance of the loan.

Credit: An arrangement between the business and the lenders or suppliers and the maximum amounts that they will extend to the business.

Credit rating: Your history of repaying loans, credit cards, and other financial obligations on schedule.

Debt: An amount that is owed.

Debt to Equity Ratio.

Equity: The value of your business with liabilities deducted from your assets. Also refers to the ownership interest of shareholders in your business.

Equity investment: The money an investor puts into the business in return for an ownership interest, usually through shares. The equity investor shares in the gains and the losses of the business.

General security agreement: Under the Personal Property Security Act, a General Security Agreement gives a lender the right to security over a broad range of assets, receivables and inventory, as well as after-acquired property. (After-acquired property is property that might be acquired in the future, but not owned at the time of signing the General Security Agreement.) The lender normally registers a financing statement with the Personal Property Registry to establish the priority of its claim to assets respect to other lenders.

Going to Scale: Growing the business to the size of the industry norm or to the largest it can be in a given market place.

Glossary *continued...*

Interest: A charge for a loan, usually a percentage of the amount loaned.

Liability: Money your business owes to other parties, which could include suppliers, lenders, and employees.

Loan: A sum of money lent at interest.

Principal: A sum of money owed as a debt, upon which interest is calculated.

Pro formas: Financial documents using projections.

Ramping up: Growing a business.

Return on investment: The profit or loss resulting from an investment usually expressed as an annual percentage return.

Senior debt: Loans which can be fully and which are made to businesses which have proven earnings.

Shares: The equal parts into which the ownership of a company is divided.

Shareholder: A person who owns shares in a company.

Subordinated debt: Loans, which are unsecured, but which are based on the established cash flow of a business. In the case of default, creditors with subordinated debt are not paid out until after the senior debt holders are paid in full.

Term: The fixed period of time for which a loan is made.

Valuation: How much a company is worth.

Working capital: Money needed for the every day operation the business.

Resources

Resources #1
Sources Of Funds For Building Organizational Capacity

1. CENTRE FOR SUSTAINABILITY

http://www.centreforsustainability.ca

Mission: to increase the capacity and effectiveness of people and organizations engaged in the non-profit sector in British Columbia.

Partners in Organizational Development (POD) grants. These include POD, ArtsPOD, and EnviroPOD. The POD grants provide funds to hire consultants to give technical assistance to agencies engaged in strengthening their organization, adapting to change and responding to diversity.

3. COAST CAPITAL SAVINGS – COMMUNITY ECONOMIC DEVELOPMENT DEPARTMENT

http://www.coastcapitalsavings.com/Community/CommunityInvestments

Coast Capital Community Economic Development Department provides grants and technical support to non-profit organizations for the incubation of social enterprises and to advance the capacity of organizations working on Community Economic Development.

Priorities

- Business start-ups and after-care
- Affordable housing and youth employment
- Community capacity building

3. COAST CAPITAL SAVINGS COMMUNITY FUND

http://www.coastcapitalsavings.com/Community/CommunityPrograms/CorporateSponsorship

Coast Capital Community Fund provides financial support to community organizations through sponsorships and donations.

Priorities

- Health and wellness
- Education
- Environment
- Community services
- Arts and culture

Resources *Resource #1 continued...*

Program Criteria

- Donation or sponsorship.
- Non-profit and/or charitable organization.
- Project must directly benefit the communities served by Coast Capital Savings.

Deadline

- Applications received by the last business day of the month will be reviewed the following month.
- Applications are reviewed by a committee of staff

4. COAST CAPITAL SAVINGS FOUNDATION

http://www.coastcapitalsavings.com/Community/CommunityPrograms/Coast%20Capital%20Savings%20Foundation

Coast Capital Savings Foundation provides grants for youth initiatives that will help "grow strong, confident and healthy young Canadians."

Priority

Focus on support for initiatives, programs, and partnerships that build or enhance leadership skills for youth.

Criteria

- Organization must be a registered charity.
- Project must promote the development of leadership skills for youth.
- Organization must have demonstrated fiscal responsibility and effective management.

Deadlines

Four times a year: March, June, September, and December.

Proposals for funding are reviewed on a quarterly basis.

5. ENDSWELL FOUNDATION

http://www.endswell.org

Mission: To be a catalyst for change and an investor in capacity

Endswell Foundation is the charitable arm of Renewal Partners and has the same CEO. The foundation assists Registered BC charities dedicated to conservation and related public education in

Resources *Resource #1 continued...*

British Columbia, that respect the rights of aboriginal peoples and their traditional land use. Endswell typically makes grants for general support of the core operations of existing organizations. Special projects will also be considered.
Application is made by Letter of Inquiry followed by an application process. There are two granting cycles a year.

6. TIDES CANADA FOUNDATION

➡ http://tidescanada.org

Mission: Tides Canada Foundation actively promotes change towards social and environmental well-being that is founded on the principles of:

- Social justice
- Broadly shared economic opportunity
- Robust, inclusive and participatory democratic process
- Farsighted environmental stewardship

Contact the Foundation for more information.

7. VANCITY SAVINGS CREDIT UNION GRANTS

➡ http://www.vancity.com/Community/CommunityPrograms/Grants

There are several grants offered by Vancity Savings Credit Union that could assist non-profits to develop social enterprises. These include the Community Partnership Program (Community Project Grants and Capacity Building Grants), EnviroFund Grants, and the Vancity/Real Estate Foundation Green Building Grant Program, and the Million Dollar Award.

Resources *Resource #1 continued...*

7.1. Community Partnership Program

The Community Partnership program consists of ***Community Project*** and ***Capacity Building Grants***.

Priority areas for the Community Partnership Program

Social Justice

Social Justice means the promotion of equity for socially and economically marginalized groups. Vancity Savings Credit Union will consider funding projects and programs that:

- Enhance the capacity of marginalized groups to advocate for themselves and participate in public decision-making regarding issues that affect them.
- Eliminate or reduce barriers to access public and community services such as education, housing, and childcare.
- Challenge hatred and discrimination and promote human rights and dignity.

Economic self-reliance

Economic self-reliance means building on the internal strengths and resources of individuals and communities to reduce economic vulnerability and dependency. Vancity Savings Credit Union will consider funding projects and programs that:

- Help to reduce poverty, unemployment, and underemployment.
- Enhance the capacity of marginalized groups to access financial services, build financial knowledge and assets, and create economic opportunities for themselves.
- Increase access to education, training (including employment and pre-employment training) and other services that help to build economic opportunity.

Environmental responsibility

Environmental responsibility means improving social and economic well being through the creation of healthy ecosystems. Vancity Savings Credit Union will consider funding projects and programs that create awareness and solutions that help to:

- Protect and restore indigenous species and habitats.
- Prevent the release of substances that damage air, water, earth, or its inhabitants.
- Improve air quality, including the promotion of alternative modes of transportation such as public transit, cycling, and car co-operatives.
- Conserve energy and promote environmentally safe and sustainable energy sources.

Preference given to

- Projects and programs, which integrate one or more of the three priorities.
- Partnerships between organizations that enhance cooperation.
- Projects which improve the effectiveness of existing projects.

Resources *Resource #1 continued...*

Community Project Grants

- Grants of up to $10,000.
- Designed to support projects.
- One grant per organization in a calendar year.
- Application deadlines: 4 per year e.g. January, March, May, August, November.

Capacity Building Grants

- Available only to Vancity Savings Credit Union members.
- Designed to support organizations themselves, rather than specific projects, to assist with the development of business, financial and, fundraising planning, as well as the technology/computer training required to build financial sustainability.
- Grants of up to $10,000.
- One grant per organization in a calendar year.
- Application deadlines: 4 per year e.g. January, March, May, August, November.

7.2 Envirofund Grants

- The purpose is to encourage positive, actionable solutions local environmental concerns.
- The funds are based on a minimum of 5% of Vancity VISA* card profits and individual donations.
- Grants of up to $40,000.

Priorities

- Each year, Vancity EnviroFund™ VISA cardholders vote on which issue areas the EnviroFund™ will support. The votes are tabulated and the top three issue areas are determined. These are posted on the web site in May each year.

Program Criteria

- Local: The project must take place in the Lower Mainland/Fraser Valley or Greater Victoria areas and directly benefit our local communities.
- Action-Oriented: Although the project may include research and education components, the primary focus should be on taking concrete steps which work to resolve local environmental problems and help to develop sustainable communities.
- Innovative Alternative: The focus of the project should be on the development and implementation of an innovative project to address one of the year 2004 issue areas chosen.
- Not for Profit: The project must be carried out through a not-for-profit, charitable non-government organization, or cooperative.

Resources *Resource #1 continued...*

Preference are given to projects that also meet the following criteria:

- Ongoing: The project will continue beyond the one year period for which funding is requested.
- Community Benefits: The project has social benefits to the local community, such as job creation for disadvantaged groups, community economic development or youth training opportunities. The project incorporates community participation in the planning and organizing of the project.
- Ecological Impact: projects have the potential to generate the significant environmental improvements.
- Credit Union Membership: Preference is given to groups that are members of Vancity Savings Credit Union or another credit union.

Grant Deadline

- The deadline is announced in May when the priority issues are announced, It is usually in the fall of the year.

7.3 Vancity/Real Estate Foundation Green Building Grant Program

- The purpose is to minimize the impacts of climate change and to improve sustainable land use practices with an overall goal to reduce CO2 emissions.
- There is $100,000 available each year.
- Grants of up to $50,000.

Priority Areas

- Innovative Building Renovations/Retrofits that reduce the environmental impacts associated with the building and operation of non-industrial buildings. Project elements that will be considered for funding are:
- Design
- Equipment/technology purchases
- Project-related research
- Structural changes
- Site improvements

The advancement of Policy or Regulatory Change with the purpose of removing barriers impeding the development of green buildings and the incorporation of green building technology. Project elements that will be considered for funding are:

- Research
- Multi-stakeholder consultations/meetings
- Policy development
- Publication of materials/case studies

Resources *Resource #1 continued...*

Program Criteria

- Charitable organizations, not-for-profit organizations, or cooperatives.
- An educational component which aims to encourage green building initiatives by sharing the benefits of the project with the public and other practitioners.
- Partnerships between organizations (government, business and not-for-profit) are encouraged.

Grant Deadline

The deadline for submissions is in the early fall.

7.4 Million Dollar Award

This award is handed out annually to a non-profit organization for a major project that supports the social, environmental or economic well being of the community.

- Funding may go towards development, capital, operational, or endowment needs.
- Open to non-profit organizations in Vancouver, the Lower Mainland, Fraser Valley, and Victoria.

The process is usually that a two-page letter of intent is submitted in the spring; a committee of staff, credit union members, and board members select a short list of organizations which are invited to submit a project proposal; and finally Vancity members vote on a short list of finalists in the fall.

8. VANCITY COMMUNITY FOUNDATION

www.vancity.com/Community/AboutUs/Subsidiaries/VanCityCommunityFoundation

Mandate: to provide grants and community lending in the area of community economic development.

Priorities for the Foundation

- Affordable Housing
- Community building and mobilization
- Community Economic Development Organizations
- Employment Development
- Non-profit Sector
- Reaching new communities
- Social Enterprise

Application deadlines

- Applications are considered at the Foundation's quarterly Board of Directors' meetings which are held in March, May, September and November of each year.
- Applications should be received at least eight weeks before the Foundation's quarterly board meeting.
- There is no deadline for technical assistance.

Resources *Resource #1 continued...*

8.1. Grants

- Annual grants budget of $175,000.
- Grants tend to range from $500 to $20,000.
- Looks for long term relationships with grant recipients.
- Will fund new initiatives and the expansion of successful existing projects.

8.2. Loans

- Guaranteed loans and lines of credit (typically $10,000 to $100,000)
- Mortgages
- Loan Pools
- Low-interest loans (typically $10,000 to $100,000)

8.3. Technical Assistance

- Often in conjunction with a loan or grant.
- The Foundation uses its own staff, or brokers or purchases the resources of others, to provide non-profits with technical assistance.

9. VANCOUVER FOUNDATION

http://www.vancouverfoundation.bc.ca

Mission: Through the growth and stewardship of permanent endowment funds and the distribution of income to a broad range of eligible organizations, Vancouver Foundation, in meeting community needs, provides philanthropic leadership to improve the quality of life for all British Columbians.

Vancouver Foundation is a philanthropic non-governmental community foundation which operates primarily as a permanent collection of endowed funds.

Relevant funds are:

- Animal Welfare
- Arts and Culture
- Children, Youth and Families
- Education
- Environment
- Health and Social Development

Resources #2
Sources Of Funds For Business Development

1. BC TECHNOLOGY SOCIAL VENTURE PARTNERS (BCTSVP)

➡ http://www.bctsvp.org

Mission: To support innovative non-profit groups serving children, women at risk, and people living in Vancouver's Downtown Eastside.

BC Technology Social Venture Partners is a charitable foundation created by individuals in BC's technology industries and uses a 'venture philanthropy' approach to providing money and business expertise to entrepreneurial not-for-profit organizations.

BCT SVP has two grant cycles, one in the spring and one in the fall. Average annual grants to organizations are in the range of $30,000, with a possibility of multi-year commitments.

BCTSVP has helped groups with:

- Strategic planning
- Board development
- Facilities planning & acquisition
- Marketing planning
- Information Technology planning & implementation
- Fundraising & Revenue Generation

2. COMMUNITY ECONOMIC DEVELOPMENT TECHNICAL ASSISTANCE PROGRAM (CEDTAP)

➡ http://www.carleton.ca/cedtap

Mission: To enhance the legitimacy and effectiveness of community-based organizations engaged in community economic development by supporting activities that will:

- strengthen their capacities and
- increase the visibility, knowledge, coherence and resources of the CED sector as a whole in cooperation with other organizations with similar interests

CEDTAP is supported by the J.W. McConnell Family Foundation and Carleton University. It is Canada's largest non-profit (non-governmental) granting agency in the field of Community Economic Development (CED). CEDTAP provides grants to early stage and mature community-based organizations and also promotes activities that strengthen the CED sector as a whole. The grants are seed money and therefore other funding will be required.

Resources *Resource #2 continued...*

CEDTAP supports early stage and mature CEDO's in three different areas:

- technical assistance
- exchanges
- technological enhancement – computer resources and technical support needed to engage in CED.

In addition, support is provided to emerging CED organizations, or marginalized groups not yet involved in CED, prior to developing a full-scale initiative.

3. ENTERPRISING NON-PROFITS PROGRAM (ENP)

http://www.vancity.com/Community/AboutUs/Subsidiaries/VanCityCommunityFoundation/EnterprisingNon-ProfitsProgram

ENP is a funding program that provides matching grants to non-profit organizations in BC who are interested in starting or expanding a business. It is a joint funding program of United Way of the Lower Mainland, Vancity Community Foundation, Coast Capital Savings Credit Union, Vancouver Foundation and Western Economic Diversification Canada.

Program Goals

- To support non-profit organizations to develop enterprises which are linked with their charitable mandate and contribute to organizational sustainability.
- To increase the capacity of non-profit organizations to improve socioeconomic conditions in their communities through the creation of employment or training opportunities and/or enhanced program provision.

Criteria

In order to be eligible for funding, an organization must:

- be a non-profit,
- have its base, activities and benefits in British Columbia,
- have an annual budget of greater than $200,000 per year and permanent staff positions,
- commit matching funds (cash or in-kind) for the business and/or organizational development process, and
- use the funds to pay for professional fees of a consultant or resource person and/or staff costs and resources directly related to business planning and organizational development activities.

Funding Available

The program provides between 10 and 15 organizations annually, matching grants of up to $10,000.

Activities Funded

Activities must be directly related to business planning and organizational development.

Resources *Resource #2 continued...*

Business Development

Planning and research activities to support the development or expansion of a business venture, such as:

- business feasibility studies
- business plan development
- market research studies and/or marketing plans

Organizational Development

These activities must be in relation to the preparation, launch or expansion of a business venture, such as:

- activities aimed at building organizational understanding and support for change
- facilitation of staff/board development related to specific issues of business management
- development of plans in specific areas such as: staffing/management, strategic planning, risk management and financial management
- development of new policies, procedures, systems and tools for management of the business

Proposal Assessment Criteria

Key criteria considered by the funding partners include:

- The proposed enterprise is clearly related to the charitable mandate of the organization.
- The proposed enterprise contributes to community through employment creation, training opportunities and/or enhanced program provision.
- There is evidence that the organization (including the board of directors) has begun initial organizational assessment and/or business planning processes.
- The proposal demonstrates: i) the business has the potential to generate revenue and ii) the organization has identified a potential market for the business' products and/or services.
- There is commitment from the organization's board of directors to pursue business/enterprise activities.
- There is commitment of matching dollars (cash and in-kind) for the program grant
- There is evidence that the organization has the capacity and the willingness to commit additional funds to implement the enterprise once a viable plan is in place.
- A staff person (or persons) has been dedicated to the initiative.

Application Process

- Grant applications are accepted two times per year, in spring and fall.
- Organizations are required to attend a one-day orientation session before applying. Grant application forms are made available to participants during the session.

Resources *Resource #2 continued...*

The Orientation Session

There are two orientation sessions per year with grant applications generally due 6 to 8 weeks after the session. Organizations that do not apply for funding directly following the orientation session they attend are eligible to submit grant applications in subsequent funding cycles.

The orientation session provides participants with information that will assist them to:

- assess their organization's readiness to launch an enterprise,
- identify organizational and business development needs, and
- learn more about the funding program and the application process.

The session itself includes:

- A discussion on the nature and types of non-profit and social enterprises.
- A discussion of legal and structural implications, including Canada Customs and Revenue Agency guidelines, in regards to charities and enterprises.
- An overview of key factors of success in non-profit enterprise, including organizational and business development issues, and key risks and realities.
- Presentations by representatives of existing enterprising non-profits.
- Discussion of business ideas of participating organizations.
- An overview of the ENP program history, initiatives funded by the program, program guidelines, and application process.
- A discussion of next steps, including tips for finding a consultant, review of resources available, and general question and answer.

4. VANCITY COMMUNITY FOUNDATION

www.vancity.com/Community/AboutUs/Subsidiaries/VanCityCommunityFoundation

See above

Resources #3
Sources Of Funds For Start Up Costs

EQUITY FINANCING

1 THE CO-OPERATORS GROUP: CO-OPERATIVE DEVELOPMENT PROGRAM

http://www.cooperators.ca/english/in_the_community/CDF_fund/content.html

Each year The Co-operators makes available $100,000 for to co-operatives and similar organizations.

Criteria

- In order to be considered for an investment (maximum $25,000), applicants must provide a satisfactory plan, budget and business case, references and other supporting material.
- If an investment is made, The Co-operators will require shares or other evidence of the investment, and may require appropriate security.
- Since the primary responsibility for financing the co-operative belongs to the members, The Co-operators portion of the total financing will always be a minority.

2. RENEWAL PARTNERS

http://www.renewalpartners.com

Renewal Partners has a close relationship with the Endswell Foundation and has the same CEO.

Renewal Partners work with entrepreneurs and partners who are highly motivated both to make money, and to provide socially responsible products or services that enhance their communities. They look for ventures that have strong potential to become lucrative alternatives to traditional enterprises.

The businesses invested in are generally small (under $10 million in sales). Investments cover a broad range of industries, representing a cross section of businesses working towards a conservation society: food, shelter, communications, education, nature, and environment, “green” consumer products. They focus primarily on sectors they think may be underserved by conventional financing sources.

Renewal Partners becomes involved at an early stage and makes a long-term commitment to the enterprise. They provide mentoring, advice, and networking and assistance with the development of innovative employment and community practices.

They do both convertible debt and equity deals. Renewal Partners rarely considers deals in which they are the only investor. They do not seek a controlling position in the companies in which they invest. However, they do reserve the right to appoint a board member.

Resources *Resource #3 continued...*

Renewal Partners expects their investments to be profitable within a reasonable number of years realistic to the industry. They determine what constitutes a reasonable return on a case-by-case basis, balancing the rate of financial return with the social benefits they estimate the investment may yield.

The following steps outline the general process Renewal Partners follow before investing in a business:

- Initial Contact: E-mail or mail a brief outline of the project.
- Business Plan and Proposal: Once they have determined that there is a match in terms of mission, product or service and management philosophy, they request a formal business plan and funding proposal. Upon review of these materials, they then meet the company's principals to engage in an in-depth discussion of the project.
- Due Diligence: In order to establish the soundness of the investment, they engage in due diligence activities, which can vary depending on the size of the company and the complexity and amount of the investment. This process involves a detailed analysis of the company's business plan, financial systems, personnel, track record, and key advisors.
- Legal Documentation: While their business relationship is friendly, personal, and often informal in style, they do require full legal documentation. Each social enterprise must seek independent legal and accounting advice.
- Deal Closing: Once all documents are agreed upon and signed by all parties, funds are issued immediately.

The period from initial contact to closing the transaction can take anywhere from three to nine months.

3. SOCIAL CAPITAL PARTNERS

➡ http://www.socialcapitalpartners.ca

Social Capital Partners (SCP) funds businesses that demonstrate the discipline and competitive spirit of a private sector company while striving to generate outstanding social outcomes for the individuals they employ and communities they support. They look for businesses that demonstrate the following characteristics.

- Hire the majority of employees from an economically disadvantaged community.
- Provide skills and experience that promote long-term employment.
- Consider multiple needs of the target population (e.g. housing, counseling etc.)
- Compete successfully within a strong segment of the market.
- Have a plan to reach break even or profitability within 3 years.
- Have a realistic short-term growth plan that involves employing at least 12 individuals.
- Have a realistic long-term growth plan that involves employing 20 or more individuals.
- Are capable of meeting any repayment obligations to SCP and other financiers.
- Have an outstanding management team that is capable of carrying out the plan.

Resources *Resource #3 continued...*

To determine success, SCP measures both the progress of the target employees toward a sustainable livelihood and of the social enterprise toward profitability. They consider the initiative a success when both the target employee and the social enterprise become self-sufficient.

Initially SCP requires a brief executive summary that outlines the basic elements of the social enterprise. The executive summary should describe the business concept, the need that it fulfills in the market, and how the business will become financially successful. It should also provide a description of how the business will fulfill its social mission by detailing how an at-risk population will be employed by the business.

SCP will contact those entrepreneurs or organizations from whom they are interested in seeing a full business plan. Ultimately, SCP makes its financing decisions based on a careful review of a full business plan and an in-depth due diligence process.

4. WATCH FOR A NEW SOCIAL VENTURE CAPITAL FUND

At the time of writing this guide, with the leadership of the Vancouver Foundation and with a number of partners, a new venture capital fund was being developed which will provide both capital and technical assistance to social enterprises. It is expected that this fund will be piloted in 2005.

DEBT FINANCING

1. CCEC CREDIT UNION

CCEC is a small credit union founded by the Community Congress for Economic Change Society, which is committed to community economic development. It is a closed bond credit union and members must be non-profits, co-operatives, or individuals who are members of non-profit organizations or co-operatives. CCEC has a great deal of expertise with community based organizations. Although all loans must adhere to traditional lending requirements, CCEC can be very creative. For example, the loan of one community organization was secured by personal deposits of $500 by 40 members.

Resources *Resource #3 continued...*

2. COAST CAPITAL SAVINGS: RISING TIDE LOANS AND TECHNICAL ASSISTANCE

www.coastcapitalsavings.com/Community/CommunityInvestments/Microcredit#TargetArea3a

2.1 Rising Tide 2 Loans

Coast Capital has a portfolio called Rising Tide Loans, which are available for community initiatives and local small business ventures that do not qualify for conventional credit. These loans focus on three main areas:

- Business start-ups and after-care
- Affordable housing and youth employment
- Community capacity building

There are three types of loans with Rising Tide. Rising Tide 2 loans are for Social Enterprises.

Loan Amount

- Up to $150,000

Loan Rate

- Interest rates for these loans are generally higher than conventional rates, reflecting the additional risk the intention to finance initiatives that do not have access to alternative sources.

Priorities

- Initiatives that show benefits to the community's economic, social or environmental well-being.

Criteria

- Organization is a member/client of Coast Capital Savings.
- There is a financially viable business plan (including market analysis, operational details and financial information (specifically, a cash flow statement) with demonstrated benefits to the community's economic, social or environmental well-being.
- Proof of community support (2 letters of reference, documentation outlining support.)
- Proof of organization's own contribution to the business (financial or in-kind.)

2.2 Technical Assistance

Coast Capital offers "Pre- and After-Care."

Pre-Care

If an organization has what appears to be a sound business idea and a business plan which may qualify for a loan but which needs further development, Coast Capital will provide pre-care for the organization. Pre-care means that Coast Capital will assist the organization to purchase technical assistance. However, pre-care does not guarantee that the organization will receive a loan.

Resources *Resource #3 continued...*

After-Care

If an organization has received a loan from Coast Capital but is running into problems, or is preparing to move to the next stage of development, the credit union will assist the organization to obtain the required technical assistance.

Consulting Hours Purchased

In general, Coast Capital will pay for the first three consulting hours and 50% of the next 4 hours. Any further hours are paid for by the organization.

3. COMMUNITY FUTURES DEVELOPMENT CORPORATIONS

www.communityfutures.ca

Loans and Technical Assistance

Funded by Western Economic Diversification Canada, Community Futures Development Corporations (CFDCs) throughout rural BC, offer debt financing and technical assistance geared primarily towards high-risk ventures in rural areas. (The exception is Partners in Community Help (PEACH) in the Downtown Eastside of Vancouver, which offers a form of community debt financing.)

CFDCs make loans of up to a maximum of $125,000 to new and existing businesses. Loans received from a CFDC are fully repayable at competitive interest rates.

Because the boards of CFDCs come from the community, the loans they make reflect local knowledge of the needs of the community. CFDCs are becoming increasingly aware of the financing needs of social enterprise, although some boards are much more conservative than others.

4. ECOTRUST CANADA

http://www.ecotrustcan.org

4.1 Loans

Ecotrust Canada has a Natural Capital Fund that supports a Business Lending program. They offer non-bank, higher-risk loans to entrepreneurs, cooperatives and non-profit groups that incorporate ecological and/or social values in their operations or that promote jobs and diversification in rural and Aboriginal communities.

They look at a business' triple-bottom line, assessing whether it promotes economic opportunities, protects the environment, and fosters social equity in B.C.'s coastal communities.

Resources *Resource #3 continued...*

They provide term loans of up to $500,000 for:

- working capital,
- equipment and other fixed assets,
- new production and service capacity,
- product or market development.

Interest rates are set to reflect risk. Flexible repayment schedules can be tailored to fit the venture's cash flow.

4.2 Technical Assistance

Ecotrust expertise is with conservation-based development in forestry, shellfish aquaculture, fisheries, tourism, energy, and real estate development. They have extensive experience working with First Nations and local community enterprises up and down the B.C. coast.

They offer a suite of consulting services in support of these efforts including:

- Market research and analysis,
- Business planning,
- Feasibility studies,
- Strategic planning for community economic development and resource management,
- Management, training and product development services,
- Networking services – promoting contact and exchange with other entrepreneurs working in the conservation economy.

5. VANCITY SAVINGS CREDIT UNION

Shared Growth Deposits. Savings Credit Union offers two types of Shared Growth Term Deposits – Cashable or Fixed Term, which support loans to socially responsible businesses.

In addition, the investor can receive a market rate of return or can choose any rate below market. The interest they give up is pooled and then used to provide access to credit, or reduced interest on loans for social enterprises.

6. VANCITY COMMUNITY FOUNDATION

➔ www.vancity.com/Community/AboutUs/Subsidiaries/VanCityCommunityFoundation

Refer to 5.0 VanCity Savings Credit Union

Resources #4
Sources Of Funds For Operating Costs

EQUITY FINANCING

1. RENEWAL PARTNERS

Refer Page 65

2. SOCIAL CAPITAL PARTNERS

Refer to Page 66

3. A NEW SOCIAL VENTURE CAPITAL FUND

Refer to Page 67

DEBT FINANCING

1. VANCITY SAVINGS CREDIT UNION

Refer to Page 70

2. VANCITY CAPITAL CORPORATION

www.vancitycapital.com

Vancity Capital Corporation, specializes in growth financing. They primarily provide higher risk, repayable growth capital—known also as subordinated debt and mezzanine financing — to small and medium-sized BC-based organizations. Startup capital is not available. The Capital Corporation is interested talking to any emerging social enterprises with significant potential for growth in achieving social, environmental and financial impacts.

Similar to equity investments, growth capital is usually not supported by collateral assets. Like conventional debt, growth capital requires regular monthly payments of principal and interest.

Vancity Capital Corporation supports non-profit entities with higher-risk lending, while also taking into account the non-financial benefits to be achieved. While generally this type of unsecured venture capital investment requires much higher rates of return, they generally price their loans only slightly higher than conventional financing, so as to make them accessible for ventures which may not have the ability to pay fully risk adjusted rates.

In part, they are able to provide this financing because of a risk sharing agreement with the Federal Government through Western Economic Diversification. The 2004 federal budget opened their Growth Capital Program, along with all other small business support programs, to "social economy" enterprises as well as conventional businesses.

Resources *Resource #4 continued...*

Loan Rates
With non-profit entities, the loan rates charged by the Capital Corporation generally start at prime plus 3%.

Loan Amounts
Loans range from $50,000 to over $1 million.

Technical Assistance
Limited technical assistance is available from Capital Corporation staff. It is usually provided if a social enterprise has the potential to obtain a loan from the Capital Corporation or if an existing client needs assistance in order to be successful.

Resources #5
Other Sources - Canada[14]

Other sources of funds worth exploring include:

CANADA

FEDERAL GOVERNMENT
- Western Economic Diversification
- HRSD
- Natural Sciences and Engineering Research Council
- Industrial Research Assistance Program (IRAP)
- National Research Council (NRC)
- CMHC (Mortgage Insurance, RRAP Grants)
- Canada Council
- Indian and Northern Affaires Canada (INAC)
- Business Development Canada (BDC)
- Tax Credits and Incentives (RRSP, Charitable Deductions)

PROVINCIAL / TERRITORIAL GOVERNMENTS
- Community Venture Capital Corporations
- Employee Share Ownership Plans
- Green Energy support
- Tax credits/incentives
- Ministerial spending

MUNICIPAL / REGIONAL ENTITIES
- Columbia Basin Trust
- Gwaii Trust
- Clayoquot Biosphere Trust
- ABC Canada, ACCs, Peace Hills Trust
- Community Foundations e.g. McConnell Foundation, Richard Ivey Foundation etc.

Resources #6
Other Sources - International

UNITED STATES

1. INVESTOR'S CIRCLE
www.investorscircle.net

Although the Investor's Circle is in the US, it has accepted an application from a Vancouver-based socially responsible business. There does not appear to be any reason why a social enterprise that meets the IC mission could not apply.

F From Derek Gent, Financing Community Economic Development (Power Point presentation.) SFU Community Economic Development Professionals Certificate program with additional information from Amanda Dowling, Manager, Corporate Social Responsibility, Citizens Bank of Canada

Resources *Resource #5 continued...*

The Investors circle is a US based network of about 450 early stage private equity investors who seek financial, social, and environmental returns on their investments. Their mission is " to galvanize the flow of capital to entrepreneurial companies that enhance bioregional, cultural and economic health and diversity."

Businesses must fall into one or more of five specific interest areas:

- Energy and environment
- Food and organics
- Community and international development
- Education and media
- Health and wellness

They are also particularly interested in women and/or minority led businesses as long as they meet the mission.

2. GLOBAL SOCIAL VENTURE COMPETITION (GSVC)

www.socialvc.net

The Global Social Venture Competition is an international business plan competition that promotes the creation businesses with both high financial and social returns on investment. The Hass School of Business at UC Berkley, Columbia Business School, London Business School, and The Goldman Sachs Foundation jointly sponsor this competition.

The GSVC awards prizes to the business plans that show the highest, most integrated financial and social returns, as well as an award for Social Impact Assessment.

To qualify for the Competition, a proposed venture must:

- Plan to be financially sustainable or profitable; whether it is a commercial business or a non-profit organization, it must be self-sufficient on its earned revenue.
- Have a quantifiable social and/or environmental bottom line incorporated into its mission and practices.

Each entrant team must include a graduate business student from any business school in the world or an individual who has graduated from graduate business educate within the past two years (from the date that the plan is first submitted). The graduate business student must be actively involved in the venture (ie, actively participating in development of the business plan and presentation or actively working on the business).