

A man in a dark sweater stands with his arms crossed in front of a building. The building has a sign that says "GROW HQ". The image has a green tint.

 Social Finance Foundation

2019 Annual Report



2019 Annual Report A Review of the Year

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Back row, left to right
Margaret Concannon, Head of Credit
Michael McLoughlin, Director
Marianne Checkley, Director
Pat Horgan, Director
Deirdre Shields, Director
Ronan Heaton, Head of Finance

Front row, left to right
Paula Cunniffe, Director
Pauline Williamson, Director
Aidan Barry, Chair
Garrett Greene, Director
Brendan Whelan, CEO

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Pádraig Ó'Ruairc,
Director

Banks



The Banking Industry in Ireland

The Foundation has been funded by the Irish banks by way of a €25m non-repayable grant in 2007, and by €72m in very low interest rate loans for the period 2009 to 2020. This has enabled the social finance infrastructure in Ireland to operate successfully. Without such support, many of the projects and initiatives which bring significant economic and social benefit to local communities throughout the country simply would not happen. The Banking Industry agreed in late 2019 to generously provide an additional €46m in loan funding, again at low interest rates, for the period 2021 to 2025.

The Bank funding has enabled the Foundation to lend over €130m to over 1,300 organisations throughout Ireland since it was set up via our two partners Clann Credo and Community Finance Ireland. The social impact of such lending is felt throughout every county in Ireland, with many truly inspiring case studies.

The Banking Industry's support bears strong testament to its commitment to support the community sector, over and above its support through its own mainstream business.

The Banking and Payments Federation Ireland (BPFI) acting on behalf of the industry also provide much valued support to the Foundation. We look forward to working with the BPFI to bring this generous support to the attention of key national players, and the public at large.

Social Lending Organisations



Clann Credo and Community Finance Ireland (CFI) – Social Lending Organisations (SLOs)

The Foundation acts as a funder to both SLOs, which play the crucial role of working closely with the organisations seeking loan finance, to ensure that their social ambitions can be met in the best possible manner. They build relationships with the community organisations based on trust and that trust has been repaid many times over. They have established a very strong reputation for understanding the ambitions of their clients and providing the finance in a way which meets both the needs of the customer and the SLO.

The Foundation works closely with both SLOs, very much in partnership mode. The Boards of each company meet regularly to foster and develop that relationship. We look forward to continuing that very strong relationship, all for the benefit of the social sector in Ireland.

Department of Finance



Department of Finance

The Foundation was established in 2007 following strong sponsorship by the then Minister for Finance Brian Cowen and his senior officials in the Department of Finance. They recognised the need for a strong social finance infrastructure to cater for the organisations in the community sector which would not meet conventional credit parameters of mainstream institutions.

The Department of Finance continues to be a strong supporter of the Foundation. In May 2019, a Memorandum of Understanding was signed between the Department and the Foundation. This MoU commits the Foundation to keep the Department and the Minister apprised of its work, while the Department commits to support the Foundation in the promotion of social finance.

European Investment Fund



European Investment Fund (EIF)

EIF is responsible for the EaSI scheme which is a loan guarantee support scheme for micro-enterprises. A recent feature of the EaSI scheme is the extension of the scope of the scheme beyond micro-enterprises to include social enterprises. The definition of social enterprise under the scheme facilitates conventional C&V organisations with some element of trading income to be included.

In 2019, the Foundation signed an Agreement with EIF, whereby the EaSI Scheme will guarantee €25m of the Foundation's loan book over 5 years, at a rate of 60%. The value of the EaSI Guarantee could be as high as €3m. This is a very generous risk-sharing arrangement and is comparable with the guarantee provided to Microfinance Ireland for microenterprise lending. The EaSI Scheme will also be an important element of the Government's Social Enterprise Policy, as it will enable the Foundation to lend (via the SLOs) to higher risk social enterprises.

This report focusses on the activities of the Social Finance Foundation in 2019. Little did we know at the end of that year that Covid19 was already on its way. While its worst impact has been experienced by those individuals who suffered directly from the infection and their families, it has also had a devastating effect on our communities and on our society. Our social lives have been curtailed and many of the activities that have served to form our communities are no longer available to us. The many voluntary organisations that provide the structure to enable cohesion are themselves struggling and their services are sorely missed at this time when for many they are needed most. We believe strongly that the social sector builds resilience in our people, in our communities, and in our society. We will come through this and the resilience that we have built, individually and collectively, will perhaps be appreciated and valued anew. There are better times ahead.

The Social Finance Foundation is a non-profit organisation and a registered charity, that was established by Government initiative in 2007. Its original raison d'être was to make loan finance available at reasonable rates to viable social projects and organisations which find it difficult to obtain it from mainstream lending sources. Over the period since inception, the scope of the Foundation's work has expanded. Microfinance Ireland was established as a subsidiary company in 2012 to provide non-commercially available business loans of up to €25k and thereby to generate and retain employment while enhancing social impact. In keeping with the strong social development focus of

our constitution our management applied substantial time and effort in progressing successful, inclusive and innovative financial initiatives, exemplified in Personal Microcredit (PMC) and Social Enterprise Research.

Our social finance model is unique to Ireland. It combines the State, acting through the Department of Finance, the private sector through the representatives of the participating banks, the Third Sector through the Social Lending Organisations and the EU through the support of its European Investment Guarantee. It is this extensive combination of support that has enabled the Foundation and its subsidiary Microfinance Ireland to deliver on its mission to facilitate social development through utilising finance and financial expertise.

The CEO's report which follows covers in some detail the progress made during 2019. In this message I would like to acknowledge and give thanks to those who have been instrumental in making the work of the Foundation so impactful, and so relevant, to so many communities throughout this country.

Irish Banking Industry

The funding of the Foundation is wholly provided by the Irish banks at low interest rates which enables the social finance infrastructure in Ireland to operate. I am particularly pleased that the Irish banks provided a new facility worth €44m in loan funding, for the period 2021 to 2025. This financial support demonstrates the banking industry's continued commitment to our mission.



Social Lending Organisations (SLOs)

The Social Lending Organisations, Clann Credo and Community Finance Ireland are partners in achieving our shared mission. They perform the essential role, and do so exceptionally well, of working with communities and projects to get loan funding from the Foundation to them so that they can accomplish their ambitions. They work collaboratively with the local organisations in the development of

has been agreed, we report directly to the Minister annually and provide updates on a regular basis to the Department. The continuing support has proven to be of much value to the Foundation and is deeply appreciated.

Microfinance Ireland (MFI)

Over the seven years of its existence, Microfinance Ireland has approved €47m to 3,000 micro enterprises and supported 7,500 jobs. This would not have been possible without equity funding from the Department of Business, Enterprise and Innovation, loan funding at preferential rates from the Irish banks, and support from the European Investment Fund (EIF) in the form of a loan loss guarantee. The EaSI loan guarantee scheme from EIF, provides financial support worth €3m to MFI. I would like to acknowledge the commitment and great work of the Board, it's Chairman Cyril Forbes, it's CEO Garrett Stokes and his management team and all the dedicated staff in Microfinance Ireland and wish them continued success into the future.

Board of Foundation

The Foundation is particularly fortunate to have a voluntary Board of Directors who give of their time and expertise so willingly. They promote high standards of corporate governance and provide strong oversight of, and support to management. Their commitment is much appreciated. Deirdre Kiely retired from her positions as Board Director and Chair of our Audit and Risk Committee in 2019 following seven years of unstinting dedicated service. Her expertise and skills were great assets to the Board and I sincerely

thank her for having made such an impactful and lasting contribution.

Management and Staff

Specially, I would like to thank our dedicated staff. I am only too conscious that without their input, support and energetic enthusiasm, the Foundation would not have had the impact that has been increasingly delivered over the past twelve years. Their initiative is evident in the establishment of Microfinance Ireland, the development of the Personal Microcredit Initiative and the partnership with the Department of Rural and Community Development which produced the Research Report that informed the National Policy for Social Enterprise in Ireland.

In conclusion I would like to thank all those who have, through their support and prudent application, been so instrumental in enabling the Foundation to deliver such significant social benefit countrywide.



Aidan P. Barry
Chair

proposals which meet their needs and satisfy the SLO's credit criteria.

Department of Finance

While the Foundation has never been in receipt of State funding, nonetheless, since its formation by the then Minister for Finance, the Foundation has been fortunate to have been the recipient of regular advice and support from the Department of Finance. While no longer under its aegis we enjoy its continued support. In accordance with the Memorandum of Understanding which



2007

February

Minister for Finance publicly launches Social Finance Foundation

March

Irish banks provide €25m to Foundation

October

Loan drawings commence with Clann Credo

2009

April

Foundation signs Loan Agreement with 12 Irish banks for additional funding of €72m

2011

June

Strategy Report on Financial Inclusion published

2012

September

Microfinance Ireland launched by Minister for Jobs, Enterprise & Innovation Mr. Richard Bruton TD.

2014

February

Loan drawdowns of €40m exceeded.

2015

May

Report published on need for a Personal Microcredit Scheme in Ireland

November

Launch of pilot Personal Microcredit Scheme with 30 credit unions

2017

February

10th Year Anniversary

2018

April

Completion of Research Report on the Social Enterprise sector in Ireland in collaboration with Department of Rural and Community Development

November

Publication of Report "Interest Rate Restrictions on Credit for Low-income Borrowers"

December

€100m lent to 1,000 organisations

2019

May

Foundation signs the EaSI Loan Guarantee Scheme with EIF

December

Foundation signs Loan Agreement with Irish Banks for additional €44m of funding

At time of writing, the world is dealing with the Covid19 pandemic which is having a massive impact on all aspects of societies and economies throughout the world. There is no template available to Governments and organisations on how to deal with such a challenge in a globalised world. It is difficult to predict how the pandemic will play out over time. Its impact on the Foundation's fortunes will only become clear probably in 2021/2022. However, the factors which typify community organisations – resilience and solidarity – are likely to enable social finance to deal successfully with the challenges we face.

Turning to 2019, a normal year in retrospect, it proved to be a satisfactory year under several headings.

Loan Funding and Financial Results

In the year 2019, lending of €42m was approved (and €24.5m drawn down). Loan balances outstanding at year end increased by €7.3m from €34.7m in December 2018 to €42m in December 2019 driven by the pick-up in the economy, more marketing of the availability of social finance and the strength of the Leader program.

Income amounted to €228k, with administrative expenses totalling €514k, resulting in an operating deficit before loan losses of €286k. The loan loss charge was €336k, primarily driven by the growth in the collective provision due to the increased lending. The departure of one of our loan funders, from the Irish marketplace, resulted in a once-off gain of €101k for

the Foundation. As a result, the overall outcome for the financial year was a net deficit of €521k. While a significant deficit, it remains an acceptable outcome.

The main driver of the current financial results of the company is the prevailing level of market interest rates, which are at a historically low level and results in significantly decreased deposit interest income to the Foundation to offset expenditure and loan losses. It is worth noting that the reserves of the company of €24m remain close to the €25m, the original equity at its establishment, which represents strong financial stewardship.

MFI

2019 also saw significant growth of business in our subsidiary Microfinance Ireland (MFI). The value of loan applications was up 9% in the year and €6m in new loans were approved to 452 businesses supporting 1,200 jobs. MFI continues to play a key role in supporting individuals to create or maintain microenterprises by obtaining finance, otherwise unavailable from mainstream sources.

Initiatives

Progress on the Personal Microcredit project continued in 2019. The national policy on Social Enterprise, which the Foundation played a key role in its development, was launched in July 2019. Both projects indicate the commitment of the Foundation to its motto 'Finance for Social Good' and to use its expertise and financial resources to improve Irish society.

Acknowledgements

As per the Chair's Statement, I would like to thank the Department of Finance for the encouragement and support they give to the Foundation. Our partnership with the Irish banks remains strong as evidenced by their decision to provide an additional €44m in loan funding, at low interest rates, for the period 2021 to 2025. Without the generous support of the Irish banks, the Foundation would not be able to continue its work.

I welcome the European Investment Fund's support by way of an On-Lending Guarantee under the EaSI programme and look forward to working closely with them to realise the full benefits of their support.

I would like to express my appreciation of each Social Lending Organisation for their sterling work in identifying, assessing and presenting project proposals for funding by the Foundation. Their work is done to a very professional standard, as evidenced in the low level of loan losses to date.

Finally, with the management team, I would like to thank the Board of Directors for the direction and support given throughout 2019.



Brendan Whelan
Chief Executive Officer

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Lending Information

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All Loans Loan Bals €k's Dec 2019

Lending by Sector

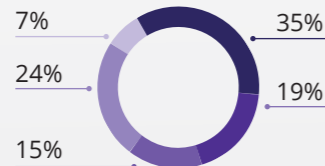
- €16,978k Community & Voluntary
- €14,186k Sport
- €3,683k Social Enterprises
- €2,981k Other
- €2,234k Social Care Housing
- €1,993k Arts, Heritage & Tourism



All Loans

Maturity Profile

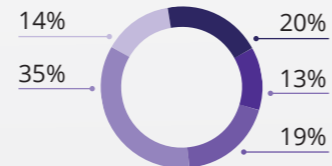
- €14,920 < 1 Year
- €8,115 2-3 Years
- €6,307 4-5 Years
- €9,907 6-10 Years
- €2,807 > 10 Years



All Loans Loan Bals €k's Dec 2019

Lending by Geography

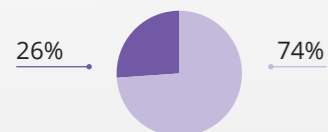
- €8,440k Connaught
- €5,530k Dublin
- €7,793k Leinster
- €14,512k Munster
- €5,779k Ulster



All Loans Loan Bals €k's Dec 2019

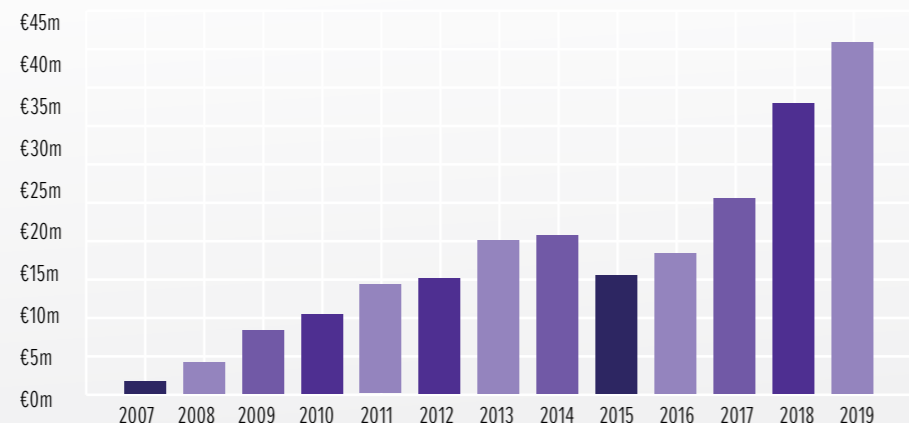
Types of Lending

- €31,020k Term Loans
- €11,035k Bridging Loans



Loan Growth Loans Outstanding in €m

Outstanding Balances at Year End



2019 Annual Report

Social Impact from Loan Funding 2019

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Social impact measures are the best available at this time and will be refined over time. It needs to be recognised that, while expressed in quantifiable terms, it lacks precision for a number of reasons;

The figures being estimates prior to the project commencing rather than actual when the project has been implemented.

The role that bridging finance plays in getting a project off the ground, where grants are only paid when expenditure has been incurred.

Foundation funds may only be a small proportion of the overall project and attributing all the social benefits could be seen as an exaggeration.

The lack of precision should not however take from the broad thrust of the data, reflecting as it does the social impact of monies lent in 2019.



16,120
No. of children using facility



99,250
No. of people using community facility



139,200
No. of people using sports facility



6,900
No. of social care users



168,500
No. of visitors



1,120
Jobs supported – mostly temporary



CLIENT:

Grow It Yourself

LOCATION:

Waterford

Half a Million people supported to Grow their Own Food

With its story growing now from its Waterford origins to projects right across the UK, Grow It Yourself (GIY) demonstrates how a not for profit social enterprise can be a leader in its field.

Less than 15 years since it started, this team are well on their way to the mission of supporting people to grow their own food at home, work, school and in their community.

In 2019 they managed to support over 500,000 people and 8,000 community food groups in the UK and Ireland.

This scale was created as result of opening their own Grow School, where a farm shop, cookery school, a 65-seat café and training gardens are all housed together.

Our collaboration and loan was a key factor to enabling the Grow School to become a reality.



CLIENT:

The Dublin Cliffhangers Youth Climbing Club

LOCATION:

Finglas North Dublin

Sporting Excellence is reaching new Heights

One of only 5 youth climbing clubs in Ireland, this community project is reaching high heights indeed.

Established in 2014, in Finglas Dublin, this unique club focusses on encouraging children that wish to progress their climbing skills, through coaching indoors plus climbing and bouldering outdoors.

With members who have represented Ireland in international competitions and young climbers holding medals in the national championships,

including 2 gold this club is fostering sporting excellence and ambition.

Club members are also increasingly attending national Championships in the UK.

Supporting them with a bridging loan to finance a retrospective Sports Capital Grant enabled their plans to purchase additional climbing equipment for their members to happen.



CLIENT:

An Gairdín Beo

LOCATION:

Carlow Town

An Gairdín Beo

It is hardly a coincidence that community gardens began to flourish in the aftermath of a property crash that left our towns and cities scarred by abandoned sites and gaping stretches of waste ground.

In a very real and literal sense, nature abhorred the terrible vacuum that was left behind. Almost overnight, community gardens began to sprout in every conceivable location: disused car parks, vacant sites and the common areas of apartment complexes.

Unlike allotments or private growing spaces, community gardens provide a common area where both work and the harvest are shared.

An Gairdín Beo is an entirely urban variant of this phenomenon and was established in 2014 at the heart of Carlow Town, on what was formerly a disused, overgrown site close to St. Leo's Convent.

Having agreed a 20-year lease with the Sisters of Mercy, local community groups then set about creating what they described as a 'living garden'.

From the outset the ethos has been one of diversity, inclusion and sustainability with an emphasis on organic growing methods and indigenous plant species.

An Gairdín Beo proved an unparalleled success and sought to build on that success by making greater use of their available resources. This includes a disused school gym on the site which the project team planned to refurbish to provide better facilities and allow for the development of a wider range of activities on site, centred on community engagement and learning.

Local surveys have identified a clear need for such a resource, as community groups in the area often find it difficult to secure appropriate space for their activities.

The group sought and secured support from Clann Credo for an ambitious initiative that has clearly put down deep roots in the local community.



CLIENT:

Claregalway Day Care Centre & Sheltered Housing

LOCATION:

North Galway District

Claregalway Day Care Centre & Sheltered Housing

As services across rural Ireland retreat to the larger population centres, older residents are particularly vulnerable to being isolated from the wider community. And the older the age profile of an area, the higher the risk.

Recognising and responding to such a need within their own community saw local groups establish the Claregalway & District Day Care Centre, in 2011. Studies and surveys had shown there were some 4500 people aged over 65 living within a 10km radius of the north Galway district.

Working closely with local active retirement organisations the establishment of the day care centre was prioritised, with the centre acting as a hub for provision of services and support to the older population and a focal point for social activities.

Card games and bingo sessions were held in the centre, while dinners and a laundry service were also available to those who attended. The centre also provided a bus service for those with transport difficulties.

The centre proved a major success and helped ensure that many older people could continue to live independently, while also providing invaluable respite for carers and families.

However, it became clear that some older residents also had accommodation needs that could not be met through existing local structures and plans were drawn up to develop 14 dedicated social housing units, on a site donated by a local farmer.

The new development would also include an entirely new day care centre with state-of-the-art facilities.

In partnership with the Western Alzheimer's Association, the aim was to provide both day care and accommodation services for dozens of older people with a range of needs, in the Claregalway area and beyond. The project was supported by Clann Credo, given the strong social dividend and local impact that it delivered.

Income & Expenditure Account for the Year ended 31st December 2019

	2019	2018
	€'000	€'000
Income	228	231
Loan Loss (Charge) Credit	(336)	(474)
Administrative expenses	(514)	(560)
(Deficit) on ordinary activities	(622)	(803)
Gain on Loan Settlement	101	102
(Deficit) Surplus for year	(521)	(701)
Reserves at beginning of year	24,623	25,324
(Deficit) Surplus on ordinary activities before Taxation	(521)	(701)
Reserves at end of year	24,102	24,623

The financial information shown does not constitute full accounts within the meaning of the Companies Acts. This information has been extracted from the audited financial statements of the Social Finance Foundation for the years ended 31 December 2019 and 31 December 2018.

Financial statements for the years ended 31 December 2019 and 31 December 2018 have been delivered to the Registrar of Companies in Dublin.

Balance Sheet as at 31st December 2019

	2019	2018
	€'000	€'000
Fixed assets		
Tangible fixed assets	4	3
Current assets		
Loans and advances to SLOs net of provisions	39,351	32,366
Loans to subsidiary	8,523	10,667
Cash and Cash equivalents	13,300	12,648
Other debtors	24	39
	61,198	55,720
Creditors – (amounts falling due within one year)	(6,111)	(4,880)
Net current assets	55,087	50,840
Total assets less current liabilities	55,091	50,843
Creditors – (amounts falling due after more than one year)	(30,989)	(26,220)
Net assets	24,102	24,623
Capital and reserves		
Reserves	24,102	24,623
	24,102	24,623

The auditors, BDO, Chartered Accountants and Registered Auditors, Beaux Lane House, Mercer Street Lower, Dublin 2 have given unqualified audit reports in respect of each of the said periods.

Copies of the full audited financial statements can either be obtained by writing to the Head of Finance of Social Finance Foundation at 13 Richview Office Park, Clonskeagh, Dublin 14; Send an email to rheadon@sff.ie; or from the Companies Registration Office at their website www.cro.ie.



Social Finance Foundation

13 Richview Office Park, Clonskeagh Road, Dublin 14. D14 Y867

Email
info@sff.ie

Web
www.sff.ie

Phone
+353 (0)1 260 2008

Twitter
@socialff

Brendan Whelan
Chief Executive Officer

Margaret Concannon
Head of Credit

Ronan Headon
Head of Finance

Celia McCarthy
Accountant

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company (No. 433581) limited
by guarantee and qualifies
for charitable tax exemption
- No. CHY 17272 Charity
Registration Number 20063900