



Social
Finance
Foundation

Annual Report 2015





DROGHEDA SPECIAL OLYMPICS CLUB

Drogheda Special Olympics Club enriches the lives of adults and children with an intellectual disability. Drogheda hosted Costa Rica in the 2003 Special Olympics World Summer Games held in Ireland. In 2004 a Special Olympics Club was set up in Drogheda, servicing counties Louth and Meath. The organisation provides training and competition opportunities to athletes of all ages and abilities and benefits from an extensive network of volunteers.

They provide year-round sports training and athletic competition in a variety of Olympic-type sports, for children and adults with an intellectual disability, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendships with their families, other Special Olympics athletes and the community. Community Finance Ireland, funded by the Foundation assisted with the redevelopment of the recently acquired landmark building Sluagh Hall in Drogheda as the group's new headquarters and main training facility.



DROGHEDA SPECIAL OLYMPICS CLUB
COUNTIES LOUTH AND MEATH

LOUGH GUR

The Lough Gur Heritage Centre was originally opened by Shannon Heritage in 1981 and was carefully managed as a tourism facility by an umbrella body for thirty years. In 2011 Lough Gur Development Co-operative Society Ltd (a community organisation comprised of local residents) with the agreement of Limerick County Council took over management of the Centre to improve and promote the Lough Gur area. The building and exhibition area was in need of upgrading and the Lough Gur Development Co-operative Society Ltd in consultation with all the interested stakeholders in Lough Gur, went about a redesign and upgrade process aimed at improving the visitor experience and enhancing the Lough Gur message.

LEADER Funding through Ballyhoura Development Ltd was the main financial contributor to the project. Additional supports were received from Limerick County Council, the JP McManus Foundation and Tourism Cares (a US based organisation involved in the promotion of international tourism). Clann Credo provided Lough Gur Development with the necessary loan finance (funded by the Foundation) to undertake the project. This included bridging finance against approved grant funding and a term loan facility.



LOUGH GUR
CO. LIMERICK



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In July 2006, the Government approved the implementation of the Social Finance Initiative. It established a not-for-profit company (limited by guarantee and having no share capital) to act as a wholesale supplier of finance for the social sector. Social finance is, inter alia, about the availability of loan finance at affordable interest rates, and without onerous terms and conditions, to community-based projects and social enterprises. These projects, which generate a social benefit, often experience difficulties in accessing loans from mainstream lending institutions.

In January 2007, the Social Finance Foundation was established. Seed capital of €25m was generously provided by the Banking Industry through the then Irish Banking Federation (now Banking & Payments Federation Ireland). The Banking Industry provided further funding support to the Foundation in 2009, through a twelve year €72m Loan Agreement at a discounted rate of interest. In 2012, the Foundation was given responsibility for the administration of a Government funded Microfinance Loan Fund to promote job creation by supporting new and existing micro-enterprises. These micro enterprises often find

b) promote a vibrant social finance sector and **c)** provide leadership and support for initiatives under the broad definition of social finance.

In respect of **c)**, the Foundation has been instrumental in developing a Personal Microcredit Scheme with the Credit Unions in 2015 to assist individuals on social welfare to obtain loan finance where such finance would normally be denied to them.

The existence and impact of the Foundation represents a unique collaboration between the Government and the Irish Banking Industry. No other country has addressed social finance on a national scale and put it on a sound financial footing, capable of meeting the credit needs of the social sector in a very cost effective way. Using Microfinance Ireland and the SLOs as channels to the customers, loan finance can reach individuals and groups which otherwise would not have been able to achieve their aims and dreams.



Brendan Whelan, CEO and Sheila Nordon, Chairman with Minister Noonan at the launch of the Foundation's 2013 Annual Report

it difficult to obtain credit from mainstream institutions. Microfinance Ireland was established as a subsidiary of the Foundation to discharge this responsibility. The Banking Industry again has been very supportive of the initiative. AIB, Bank of Ireland and Ulster Bank have agreed a €15m loan facility at a competitive interest rate to fund MFI lending over the next seven years.

As a wholesale supplier of social finance, the Foundation works through Social Lending Organisations (SLOs) Clann Credo and UCIT, which interface with borrowers. Some SLOs, such as Clann Credo, have been operating for many years and were pioneers of social finance in Ireland.

The mission of the Foundation is threefold **a)** support communities and micro-enterprises in Ireland, where finance is needed to make the project a reality,

CHRONOLOGY AND HIGHLIGHTS

FEB 2007

Minister for Finance publicly launches Social Finance Foundation

MAR 2007

Banks provide €25m to Foundation

AUG + OCT 2007

Loan drawings commence with First Step Microfinance and Clann Credo respectively

APR 2009

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

JUN 2011

Strategy Report on Financial Inclusion published

SEP 2012

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

FEB 2014

Loan drawdowns of €40m exceeded.

MAY 2015

Report published on need for a Personal Microcredit Scheme in Ireland

NOV 2015

Launch of pilot Personal Microcredit Scheme with 30 credit unions



	NAME	TITLE	DATE APPOINTED
1	SHEILA NORDON (CHAIR)	Exec Director of Irish Charities Tax Research Ltd	8th Feb 2007
2	AIDAN BARRY	Retired CEO & Company Director	28th Aug 2015
3	MARY BRENNAN	Independent Non-Executive Director	24th Oct 2012
4	EILISH FINAN	Independent Chartered Director	24th Oct 2012
5	CYRIL FORBES	Independent Non-Executive Director	8th Feb 2007
6	GARRETT GREENE	Assistant International Officer, Limerick Institute of Technology	28th Aug 2015
7	DEIRDRE KIELY	Independent Non-Executive Director	24th Oct 2012
8	FELIX O'REGAN	Director Public Affairs – Banking and Payments Federation Ireland	8th Feb 2007
9	PADRAIG O'RUAIRC	Business Manager, National Transport Authority	28th Aug 2015
10	KATHLEEN PRENDERGAST	Economic Development Officer, South Tipperary County Council	8th Feb 2007

The Board of Directors held seven meetings during 2015;

BOARD MEETINGS

	NUMBER OF MEETINGS THAT THE DIRECTOR WAS ELIGIBLE TO ATTEND	NUMBER OF MEETINGS THAT THE DIRECTOR ATTENDED
SHEILA NORDON	7	7
AIDAN BARRY	3	1
MARY BRENNAN	7	4
EILISH FINAN	7	6
CYRIL FORBES	7	6
GARRETT GREENE	3	2
DEIRDRE KIELY	7	6
FELIX O'REGAN	7	3
PADRAIG O'RUAIRC	3	2
KATHLEEN PRENDERGAST	7	5



The financial accounts for the twelve months ending 31 December 2015 mark almost nine years of existence for the Foundation, having been incorporated in January 2007. The years have seen a dramatic change in the country's fortunes, which reinforced the original *raison d'être* for the inception of the Foundation i.e. to make available finance to viable social projects and organisations which cannot obtain it from mainstream lending sources. Since then the scope of the Foundation's work has expanded as articulated in our present Mission Statement viz.

With the Department of Finance and the Irish Banking Industry as our sponsors, our mission is threefold - to generate a strong social impact by funding through our SLOs creditworthy projects with loan finance, otherwise unavailable to them, to promote a vibrant social finance sector and working collaboratively, to undertake research and deliver initiatives which further the broad social finance agenda

2015 saw increasing signs of economic recovery. However, the social economy must continue to cope with significantly less funding than it had before the financial crisis hit. The role of the Foundation therefore continues to be very relevant to community organisations and social enterprises. We are determined to ensure that the tremendous work being undertaken in the social economy will continue to receive the financial support of the Foundation.

Since commencement of lending in September 2007, loans totalling €106m have been approved by the Foundation for customers via Social Lending Organisations. Loans drawn down in that period amounted to €61m, reflecting factors outside the Foundation's control including delays in drawdowns and cancellation of projects. The current outstanding loans, before provisions, amount to €14.2m reflecting the effect of repayments being made especially short term bridging finance. The provision for bad debts of €2.1m is deemed to be conservative and should cater adequately for future loan losses.

2015 saw lending of €12.1m approved (and €5.4m drawn down). Lending volumes declined relative to 2014 with the conclusion of the recent Leader Program and the absence of any immediate replacement Program. Net interest income amounted to €488K, with administrative expenses totalling €590k, resulting in an operating loss of €102k. The stock of bad debt provisions, net of contributions by SLOs, was reduced by €564k as a result of strong

repayment performance of bridging loans in particular. The overall result for the financial year was a surplus of €543k. This is a very acceptable outcome. It also means that the Reserves of the company at €25m remain unchanged since inception, which represents strong financial stewardship over the most difficult period in the country's economic history.

2015 also saw the growth of business in our subsidiary Microfinance Ireland, with over €12m in loans approved to 770 micro enterprises and over 1,800 jobs supported since inception in 2012. With further growth expected in 2016, we would like to acknowledge the commitment and success of the Board, management team and staff in Microfinance Ireland.

We recognise the need to increase awareness of the concept of social finance amongst community organisations and social enterprises. We want to ensure that all viable projects that do not have access to mainstream borrowing are aware of social finance as a possible alternative. We are working with Clann Credo and Community Finance Ireland in implementing a communications program to ensure the availability of social finance is more widely known and hopefully thus increasing social impact nationally.

The Foundation ensures that all the loans it funds through the Social Lending Organisations have a clear social impact. The social impact is estimated at inception of the project. For those loans advanced during 2015, we have estimated the impact in as quantifiable a way as possible and reflected them in the Annual Report. It is a cause of great satisfaction to see the non-financial benefits which arise from social finance, especially when times are so difficult in the country.

We continue to lend our support in other areas in the social finance domain. As members of the Social Enterprise Task Force (SETF), we work with Government to make progress in this important area. With the general election in 2016 highlighting the need to address social issues (not just economic ones), we are pleased that the Social Economy has been given priority in the Program for Government and specifically that Social Enterprise has been listed as an area of responsibility for a Senior Minister. The SETF and the Foundation will be at the forefront of any initiatives in this area.

November 2015 saw the launch of a pilot Personal Microcredit Scheme for individuals unable to procure such credit from mainstream

institutions. This involved many stakeholders coming together under a common mission to deliver a solution which avoids individuals having to resort to Money Lenders charging interest rates of in excess of 180%. The institutions involved were the Irish League of Credit Unions, the Central Bank of Ireland, An Post, Citizens Information Board, MABS, Dept. of Social Protection, Dept. of Finance, St. Vincent de Paul, Credit Union Development Association and the Credit Union Managers Association. The Foundation played an important role in leading the project and providing a significant portion of the finance for its implementation. At time of writing, the pilot project has been supported by 30 credit unions and has proved to be successful. It is planned that it will be rolled out to all Credit Unions throughout 2016 and 2017.

It should be noted that without the encouragement of the Department of Finance and the financial support of the Irish Banking Industry, the Foundation could not discharge its role.

We would also like to express our appreciation to the Banking and Payments Federation of Ireland, the Department of Jobs, Enterprise & Innovation, each Social Lending Organisation and Arthur Cox for their support for the Foundation during 2015.

The Board of Directors met on seven occasions during 2015 and the excellent record of attendance by Directors at Board Meetings and the two Board sub-committees (Credit and Audit & Risk) demonstrated their commitment to the Foundation (see Tables on Pages 7 and 8). The Board were delighted to welcome into their ranks, Padraig O'Ruairc, Garrett Greene and Aidan Barry and look forward to working with them in the coming years.

Finally, we would like to thank our staff. We are only too conscious that without their input, support and energetic enthusiasm, the Foundation would not have achieved the impact that has been delivered so far.

Sheila Nordon



Chairman

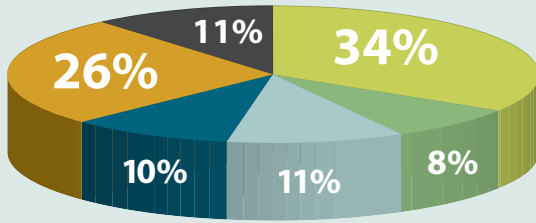
Brendan Whelan



CEO



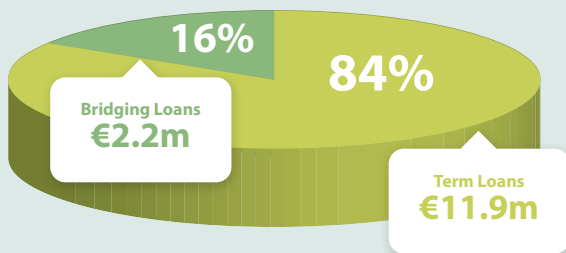
Breakdown of Loans



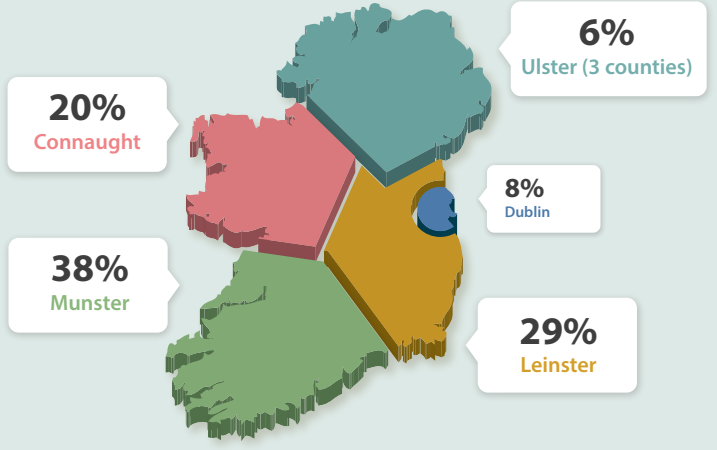
- Community Facilities
- Other Causes
- Community Sports
- Heritage
- Housing (including improvements)
- Environment

The nature of the Foundation's lending is shown here. The Foundation is very conscious of its obligation to ensure that monies are utilised in areas where they will have a high social impact. The breakdown of loans drawn down in 2015 illustrates that this is being achieved.

Type of Lending

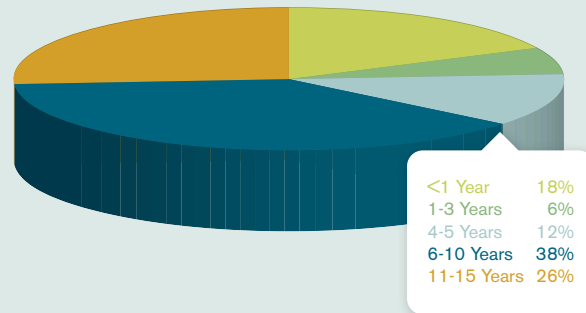


2015 saw a significant reduction in loan volumes due to the lack of bridging loans until the next Leader programme is introduced.

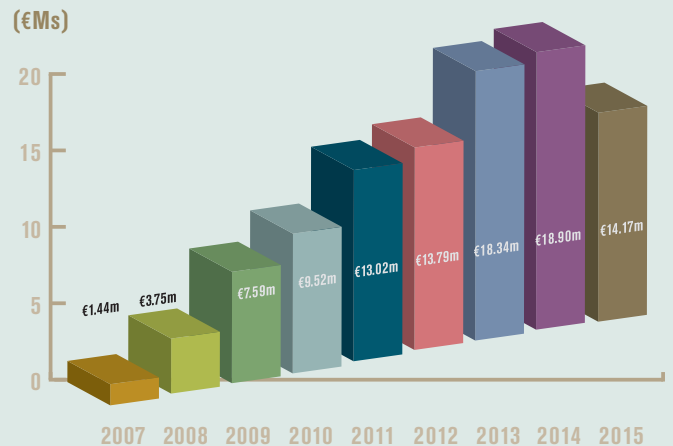


The Foundation strives to achieve a balanced distribution of funds throughout the State and the chart illustrates this is being broadly achieved.

Maturity Profile



Loan Growth - Outstanding Balances at Year End





December 2015 marks almost nine years of existence for the Foundation. From a Government decision in July 2006, the Foundation made its first loan 12 months later and since then has gone on to lend over €60m in funds over the nine years, primarily to the social sector but also to micro-enterprises. The timing of the initiative could not have been more appropriate. The economic and banking crisis in that period would have resulted in many of the projects not happening were it not for the Foundation being there to provide the required credit facilities. The growth in lending over the period is shown below.

Unfortunately, there is no equivalent data on the social impact of this lending for the period. However, a strong sense can be gleaned from the statistics for 2015 as shown on Page 5 of this report. The social impact can also be gauged from the analysis of the sectors lent to, as shown on Page 6 of this report.

The Foundation is in a strong financial condition. It was always anticipated that the operational costs of running the Foundation would be covered by the interest earned on the “equity” held by the company i.e. the original €25m donated by the Irish Banking Industry. The €25m would act as a buffer for bad debts incurred, thus reducing over the years. Despite taking a conservative approach to providing for bad debts, the €25m has not diminished over the nine years, due to obtaining higher interest rates on our deposits and strong cost control. In effect, we have managed to lend over €60m in the period and still retain the original equity of the company. The interest rate

environment has however changed dramatically in recent years and this is reflected in the 2015 results.

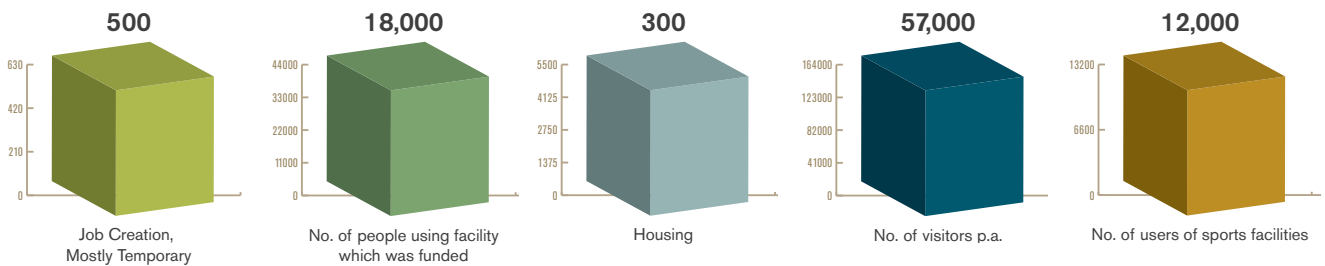
In addition to its primary role of lending to the social sector, the Foundation has also worked for the Government in other areas. It produced a Financial Inclusion Strategy Report for the Department of Finance in 2011 which was followed by a pilot implementation of a Standard Bank Account.

The Foundation was responsible for the set-up of Microfinance Ireland as a fully owned subsidiary, with the express remit of supporting micro-enterprises which find it difficult to obtain loan finance for their ventures. The company commenced trading in late 2012 and as at March 2016, had lent €8m and supported over 1 150 jobs.

A joint research study with the Central Bank of Ireland was concluded into the area of personal micro-credit. It examined the experience in other countries for dealing with personal lending to those with no access to mainstream credit and made recommendations on proposals for Ireland. The report was published in May 2015. A personal micro credit scheme was piloted with 30 credit unions in November 2015.

In its next eight years, the Foundation will continue to seek opportunities to make a difference in the social sector and not just through loan financing.

SOCIAL IMPACT



At inception, it was decided not to pursue formal measurement and reporting of social impact until the Foundation was well established and the nature of social lending was better understood. Since late 2010, data has been collected on the projects which have been supported by SFF funding through the SLOs.

These 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 2014.



Microfinance Ireland (www.microfinanceireland.ie) is a not-for-profit lender and a subsidiary of Social Finance Foundation. It was set up with the support of the Department of Jobs, Enterprise and Innovation, the European Investment Fund and the Irish Banks to provide loans of between €2,000 and €25,000 to sole traders and small companies with fewer than ten employees and an annual turnover of less than €2 million. At time of writing, MFI has so far provided over €9 million in loan funding to over 600 businesses and new ventures, supporting over 1,300 jobs across the country. The first €5m tranche of the loan facility from Social Finance Foundation was drawn in April 2015 to fund the €6m loan approvals projected in 2015.

The Government's Two Year Review of MFI which was published at the end of Q1 2015 was a positive one. It reaffirmed the targets for the business and includes a number of key recommendations which can be materially beneficial to the trading performance:

- *Elimination of the requirement for applicants to have a bank decline*
- *Banks to engage to achieve seamless referrals of bank declined applicants*
- *Revisions to the Statutory Instrument to increase flexibility for the Board/Management to manage the business and respond to market developments more quickly.*
- *Emphasise the role of the LEO network in support of marketing, distribution and pre/post approval business mentoring.*

A significant programme of actions is now underway including discussions with DJEI to increase resources to drive the strong growth agenda.

MFI successfully hosted the prestigious annual European Microfinance Network conference in Dublin in June 2015.

PERSONAL MICROCREDIT SCHEME

November 2015 saw the launch of a pilot Personal MicroCredit Scheme for individuals unable to procure such credit from mainstream institutions. This involved many stakeholders coming together under a common mission to deliver a solution which avoids individuals having to resort to Money Lenders charging interest rates of in excess of 180%. The institutions involved were the Irish League of Credit Unions, the Central Bank of Ireland, An Post, Citizens Information Board, MABS, Dept. of Social Protection, Dept. of Finance, St. Vincent de Paul,

Credit Union Development Association and the Credit Union Managers Association. The Foundation played an important role in leading the project and providing a significant portion of the finance for its implementation. At time of writing, the pilot project has been supported by 30 credit unions and has proved to be successful. It is planned that it will be rolled out to all Credit Unions throughout 2016 and 2017.



WESTERN FORESTRY CO-OP

Western Forestry Co-op has 30 years' experience in advising landowners on forestry. The Co-Op was established in 1985 by the Dairy Co-operatives in Western Counties in response to a need for support services for landowners considering forestry. Since that time the Co-Op has afforested thousands of acres along the Western seaboard and is the largest and longest established forestry co-operative providing professional forestry services that include forest establishment, forest management planning, harvesting, forest roads and a forest insurance scheme.

The main objectives of the Western Forestry Co-operative are to:

- *Improve farm income.*
- *Create employment in remote rural areas.*
- *To work with local community leadership to maximise the benefits of a planned forestry programme on rural development, community amenity, the landscape, tourism.*

Community Finance Ireland's investment, funded by the Foundation, provided the capital required to place the business on a sustainable footing as it transitions to a new level of business activity.



WESTERN FORESTRY CO-OP
WESTERN COUNTIES

GALWAY SEA SCOUTS

Galway Sea Scouts is the only such scouting group to be found on the country's western coastline, between Sligo and Cork. But with 3000 miles of unbroken Atlantic off the western seaboard and a rich seafaring tradition on which to build, it is no surprise that the group is thriving and continues to expand the array of activities on offer. Current membership stands at just under 100 and ranges in age from six-year-old Beaver Scouts, to 17-year-old Ventures. Sea scouts learn and practice a diverse number of skills, including: sailing, canoeing, rowing, hill walking, orienteering and bush craft.

The group operates under the Scouting Ireland constitution and is affiliated to both the Irish Sailing Association and the Irish Canoeing Association - the abundance of inland waterways in the region being another natural advantage enjoyed by Galway Sea Scouts. However, while the Galway Sea Scouts may enjoy a host of advantages, their relatively expensive equipment means fundraising and support are critical to the group's longer term prospects.

When seeking to finance the purchase of three new boats and sails for older vessels, Galway Sea Scouts sought the support of Clann Credo, with funding provided by the Foundation. A thorough assessment of the group found it to be well-structured and a well-run operation that delivers a strong social impact, while imparting critical life-forming skills to the budding maritime adventurers of the western seaboard.



GALWAY SEA SCOUTS
CO. GALWAY



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 2015 and 31 December 2014.

Financial statements for the years ended 31 December 2015 and 31 December 2014 have been delivered to the Registrar of Companies in Dublin.

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 40 Eastmoreland Lane, Dublin 4

email - rheadon@sff.ie

or from the Companies Registration Office at their web site - www.cro.ie

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2015

	Year ended 31st December 2015 €'000	Year ended 31st December 2014 €'000
Income	508	727
Loan Loss Provisions	625	(308)
Administrative Expenses	(590)	(541)
Profit / (Loss) on ordinary activities before Taxation	543	(122)
Tax on Profit on ordinary activities	-	-
Profit / (Loss) for the year	543	(122)
Reserves at beginning of year	24,456	24,578
Profit / (Loss) on ordinary activities before Taxation	543	(122)
Reserves at end of year	24,999	24,456

BALANCE SHEET AS AT 31ST DECEMBER 2015

	31st December 2015 €'000	31st December 2014 €'000
FIXED ASSETS		
Tangible Assets	13	22
CURRENT ASSETS		
Loans and advances to SLOs net of provisions	12,066	16,080
Loans to subsidiary	4,499	-
Cash and Cash equivalents	32,339	29,848
Other debtors	277	426
	49,181	46,354
Creditors – amounts falling due within one year	(3,418)	(2,646)
Net Current Assets	45,763	43,708
Total assets less current liabilities	45,776	43,730
Creditors – amounts falling due after more than one year	(20,777)	(19,274)
Net Assets	24,999	24,456
CAPITAL AND RESERVES		
Profit and loss account	24,999	24,456
	24,999	24,456



design: magma.ie



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

Brendan Whelan
Chief Executive Officer

Margaret Concannon
Head of Credit

Ronan Headon
Head of Finance

Celia McCarthy
Accountant