



Social
Finance
Foundation

2017 ANNUAL REPORT





2017

A Review of the Year

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Thank you to our Funders



Our Lending Partners



**COMMUNITY
FINANCE
IRELAND**
Financing Social Enterprise

Under the Aegis of the Department of Finance



An Roinn Airgeadais
Department of Finance

NATIVE DRAMA

Amharclann Ghaoth Dobhair

There are but two Irish language theatres in the country: An Taidhbhearc in Galway and the Amharclann Ghaoth Dobhair, which is located in Donegal's well-known Gweedore Gaeltacht.

Both trace their origins to the early part of the last century, established by gifted troupes of Irish language players who travelled the country staging productions in order to nurture and foster drama and culture in the native tongue.

The Donegal players found a permanent home for their talents when Amharclann Ghaoth Dobhair (Gweedore Theatre) formally opened its doors in 1958. The official ceremony was performed by Siobhan McKenna, the Belfast born Gaeilgeoir who graced both sets and stages in Hollywood and Broadway.

Over the intervening years, the Aisteoirí Ghaoth Dobhair – Gweedore Players – have established the theatre as a major force in dramatic and cultural circles across the island, and worked with local schools to assist with the development of a new generation of writers, actors and directors.

The theatre has also played a key role in cultivating local musical talent,

playing host to Enya, Clannad and Altan over the years.

The theatre and other assets are held in trust, in order to sustain and safeguard the vision that inspired the establishment of Amharclann Ghaoth Dobhair.

But while the vision may be intact, the years have taken their toll on the physical structures in which it is housed.

A phased redevelopment of Amharclann Ghaoth Dobhair was begun in 2012, encompassing a full refurbishment of the staging area and seating, new lighting systems and a new roof. That was followed by work to improve access and facilities in the theatre, along with a restoration of its 1916 Commemorative Gardens.

However, difficulties arose in accessing finance for the project and Amharclann Ghaoth Dobhair then turned to Clann Credo for help. Following a full assessment of the project, Clann Credo rowed in behind the initiative ensuring it came to fruition.

Social Finance Foundation was pleased to provide the funding to Clann Credo for the project.

NEW ADVENTURE

Castlecomer Discovery Park

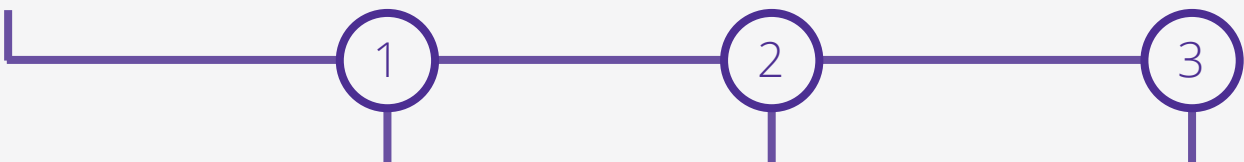
Castlecomer Discovery Park is a not for profit multi-activity park set over 80 acres of picturesque woodland and lakes. The discovery park boasts a range of recreational activities including Ireland's longest ziplines, Octagon High Ropes Course, Climbing Wall, Junior Woodland Adventure Course, Archery and Boating. The Park has accessed a loan facility from Community Finance Ireland to enable the organisation to extend their facilities with a focus on providing a wider offering of activities to Under 12s. The extended facilities will support the park in continuing to develop rural tourism, generate local employment and regenerate the town.

Social Finance Foundation was pleased to provide the funding to Community Finance Ireland for the project.

Photos from the Foundation's 10th Anniversary Conference, Smock Alley Theatre in June 2017.



Foundation Structure



COMMUNITY FINANCE IRELAND
Financing Social Enterprise

Loan funding via lending partners to communities and social enterprises



Microfinance Ireland
Small Business Loans

Loan funding via MFI to micro-enterprises (<25K)



Initiatives in the social finance domain such as Personal Microcredit



About



Social Finance Foundation

Social Finance Foundation was established in 2007 by the Government to address the needs of community organisations and social enterprises for loan funding which was difficult to obtain from mainstream financial institutions. It was supported by the Department of Finance, funded completely by the Irish Banking Industry and set up as a company limited by guarantee and a registered charity. Acting as a “wholesaler”, it provides funding to its lending partners Clann Credo and Community Finance Ireland.

Adopting the motto of “Finance for Social Good”, over €70m of loan funding has been made available to over 800 organisations throughout Ireland. This has enabled them to achieve their goals with important social benefits to the communities in which they operate and/or which they serve. These include community centres, sports facilities, childcare facilities, community enterprise, social housing for elderly and special needs, heritage/ tourism projects, addiction treatment centres, religious communities, local Arts and Radio projects and so on. The funding has enabled many of these projects to avail of grants from European and national bodies, essential to their viability. This “social finance” is provided to organisations which can exhibit an ability to repay it and the staff in Clann Credo and CFI work closely with, and support them, in constructing the proposals for loan finance.

The Foundation was instrumental in the establishment of Microfinance Ireland (MFI) with the Department of Jobs, Enterprise and Innovation (DJEI) in 2012. This was another example of a collaborative approach not only between the public, private and social sector but also the EU. Its aim was to provide much needed loan funding to individuals (sometimes unemployed) who wished to set up their own business or needed funding to support an existing one. Equity funding was provided by DJEI, competitively priced loan funding was provided by the Irish Banking Industry to the Foundation for on-lending to MFI, an EU loan guarantee scheme provided financial assistance and the Local Enterprise offices acted as an important channel for would-be borrowers and entrepreneurs. As at end 2017, over €22.6m has been lent, with over 1,500 enterprises and over 4,000 jobs created or supported. Working with all stakeholders, it is planned to achieve support for 7,700 jobs by 2022.

November 2015 saw the launch of a pilot Personal Microcredit Scheme (PMC) 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 moneylending organisations, some charging interest rates of more than 180%. Chaired by the Department of Employment Affairs and Social Protection, the institutions involved include the Irish League of Credit Unions, the Central Bank of Ireland, An Post, Citizens Information Board, MABS, Dept. of Finance, St. Vincent de Paul and the Credit Union Development Association. The

Foundation played a leading role in the inception and design and is responsible for the implementation of the initiative.

Social finance can be instrumental in supporting social enterprises, which represent an aspect of Irish society which offer significant economic and social benefits. The opportunity exists to grow the sector significantly. Again, a collaborative approach with the private, public and social sectors is needed to make this happen. In August 2017, the Foundation entered into a partnership with the Department of Rural and Community Development for the production of a Research Report to inform the development of a national policy and implementation plan for the social enterprise sector in 2018.

Microfinance Ireland

Job Creation

7,700 jobs to be created or supported by 2022.



Progress To Date

€22.6m

Loan Funding

4,000

Jobs

Chronology and Highlights

2007

Feb '07

Minister for Finance publicly launches Social Finance Foundation

Mar '07

Irish banks provide €25m to Foundation

Aug '07

Loan drawings commence with First Step Microfinance

Oct '07

Loan drawings commence with Clann Credo

2009

Apr '09

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

2011

Jun '11

Strategy Report on Financial Inclusion published

2012

Sep '12

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

2014

Feb '14

Loan drawdowns of €40m exceeded.

2015

May '15

Report published on need for a Personal Microcredit Scheme in Ireland

Nov '15

Launch of pilot Personal Microcredit Scheme with 30 credit unions

2017

Feb '17

10th Year Anniversary

Aug '17

Social Enterprise Project with Department of Rural and Community Development



Sheila Nordon
Chairman

Appointed 25th January 2007
Independent Non-Executive Director



Aidan Barry
Director

Appointed 28th August 2015
Independent Non-Executive Director



Deirdre Kiely
Director

Appointed 24th October 2012
Independent Non-Executive Director



Mary Brennan
Director

Appointed 24th October 2012
Independent Non-Executive Director



Garrett Greene
Director

Appointed 28th August 2015
International Affairs Officer, Limerick
Institute of Technology



Pat Horgan
Director

Appointed 26th August 2016
Head of SME Banking - South, Midlands
and West, Ulster Bank



Éilish Finan
Director

Appointed 24th October 2012
Independent Chartered Director



Pádraig Ó Ruairc
Director

Appointed 28th August 2015
Social Inclusion and Business
Development Manager, seconded
to National Transport Authority



// I have every confidence
that the next ten years will see
even greater achievements //



A message from our Chairman, *Sheila Nordon*

Social Finance Foundation marked its first decade in operation in February 2017. To celebrate this anniversary, a conference was held in Smock Alley theatre in June to both reflect and report on the Foundation's achievements over the past ten years

The raison d'être for setting up the Foundation was to make loan finance available to viable social projects and organisations which find it difficult to obtain it from mainstream lending sources. Over the period, the scope of the Foundation's work has expanded with the establishment of Microfinance Ireland as a subsidiary company and the work on projects such as the Personal Microcredit (PMC)

initiative. This reflects the Foundation's motto "Finance for Social Good".

The CEO's report covers in detail progress during 2017. So given that my term as Chairman is coming to a close I have taken the opportunity provided by the 10th Anniversary to consider the progress made over the ten years in the three key areas of the Foundation's work.

Loan Funding and Financial Results

In the past ten years, over €70m of funding has been made available to 800+ organisations throughout the country. The Banking Industry in Ireland provide the funding to the

Foundation at a very low interest rate, without which social finance could not operate in this country. Clann Credo and Community Finance Ireland play exceptional roles in working with communities and projects to get loan funding from the Foundation to them so that they can achieve their ambitions. The funding is used primarily in the areas of sports, community facilities, social care and children. It is anticipated that continued growth will take place in the coming years, particularly with the new Leader programme now beginning to take effect.

MFI

2017 also saw the completion of five years of operations in our subsidiary Microfinance Ireland (MFI). It was set up to meet the needs of micro enterprises unable to obtain small loans up to €25,000 from mainstream institutions. Over the five years, it has lent over €22.6m to over 1,500 micro enterprises and supported 4,000 jobs. This would not have been possible without equity funding of €20m from the Department of Business, Enterprise and Innovation; loan funding of €15m at preferential rates from the Banking Industry; and support from the European Investment Fund to the value of €3m in the form of loan loss guarantees. MFI plan to grow the level of loan support over the next five years, providing the finance necessary to generate increased job creation and support. I would like to acknowledge the commitment and great work of the Board, management team and staff in Microfinance Ireland over the five-year period and I wish them continued success in the future.

Initiatives

The Personal Microcredit Initiative (PMC) provides an alternative for individuals relying on licensed money lenders for credit at very high interest rates. The Foundation has played a key role in the design and delivery of this initiative. It continues to do so through its project management role and ongoing significant contribution to the project finances. At time of writing, the PMC loan is available in over 250 Credit Union locations. Borrowers have described this product as transformative and participating credit unions recognise this as a means to connect with those most vulnerable in their communities to provide them with loans at affordable rates.

In August 2017, the Foundation entered into a partnership with the Department of Rural and Community Development to produce a Research Report to inform a National Policy and Implementation Plan for Social Enterprise in Ireland. Minister Michael Ring announced in early 2017 that such a Policy would be produced, and the Foundation was pleased to become a partner in this endeavour. At time of writing, the Research Report is nearing completion and it is anticipated that the new Policy will be brought to Government for approval in Q3/4 2018.

Acknowledgements

It should be noted that through the encouragement of the Department of Finance, the combined forces of the State, the Irish Banking Industry and Third sectors have provided a unique Social Finance infrastructure which is not found in any other country. We look forward to their continued support,

justified by the ongoing success of the Foundation in delivering significant social benefit countrywide in a financially responsible way.

I would also like to express my deep appreciation to the Banking and Payments Federation of Ireland, the Department of Business, Enterprise and Innovation, the Department of Rural and Community Development, the Department of Employment Affairs and Social Protection, each Social Lending Organisation and Arthur Cox for their support for the Foundation during 2017 and throughout my tenure as Chairman.

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. As Chairman I have been privileged to work with excellent board members who have always provided great support to me and for this I thank them.

I 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 over the past ten years.

Finally, I would like to take this opportunity to wish the incoming Chairman, the Board, the staff and all of our key stakeholders continued success with the Foundation and I have every confidence that the next ten years will see even greater achievements.

Social Impact from Loan Funding 2017

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 2017.

580	51,700	87,900
Jobs supported – mostly temporary	No. of people using community facility	No. of visitors
72,500	8,400	3,600
No. of people using sports facility	No. of children using facility	No. of social care users

MFI
€5.5m
in new loans
in 2017

SFF
Lending of
€20.7m
Approved
in 2017

SFF Loan
Balances
increased by
39%
in 2017

MFI
9%
increase in Loan
Applications
in 2017



A message from our CEO, *Brendan Whelan*

The Chair Statement focused on the performance of the Foundation over the ten years since its establishment in 2007. This statement focuses on the outcome for the year 2017. Overall, it has been a most satisfactory year under several headings.

Loan Funding and Financial Results

In the year 2017, lending of €20.7m was approved (and €12.9m drawn down). Loan balances outstanding at year end increased by €6.5m (+39%) relative to 2016 due to the pick-up in the economy, more marketing of the availability of social finance and the commencement of the new Leader program.

Income amounted to €254k, with administrative expenses totalling €605k, resulting in an operating deficit before loan losses of €351k. The loan loss charge was €124k, primarily driven by the growth in the collective provision due to the increased lending. The Foundation benefitted from a 'one off' gain of €371k arising from its acceptance of an early settlement offer from one of its lenders. As a result, the overall outcome for the

financial year was a net deficit of €104k. 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 result in significantly decreased interest income to the Foundation to offset expenditure and loan losses. It is worth noting that the reserves of the company remain at circa €25.3m, slightly in excess of its original equity at establishment, which represents strong financial stewardship.

MFI

2017 also saw significant growth of business in our subsidiary Microfinance Ireland (MFI). The number of loan applications was up 9% in the year and €5.5m in new loans were approved to 400 businesses supporting 1,141 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 PMC and Social Enterprise initiatives was covered in the

Chair Statement. Both projects indicate the commitment of the Foundation to use its expertise and resources to improve Irish society under its motto of Finance for Social Good.

Acknowledgements

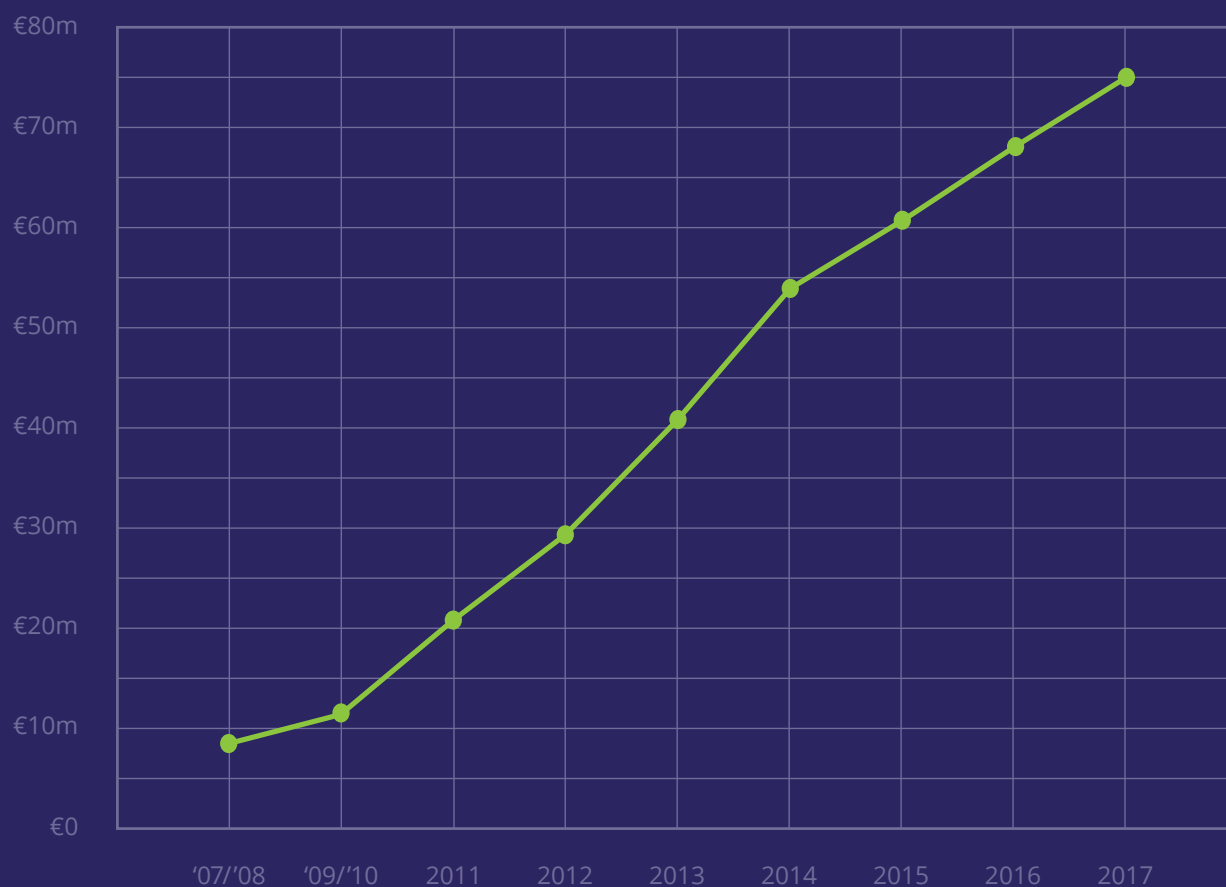
As per the Chair's Statement, I would like to thank the Department of Finance for the encouragement and support they give to a body under their aegis. Our relationship with the Irish Banking Industry remains strong and we hope it will continue for many years to come.

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 high 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 2017.

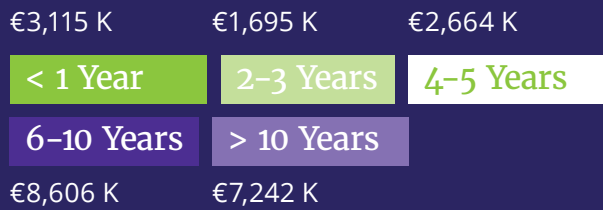
Loan Growth

Cumulative Loans in €m



Figures in millions of euro.

Maturity Profile – All Loans



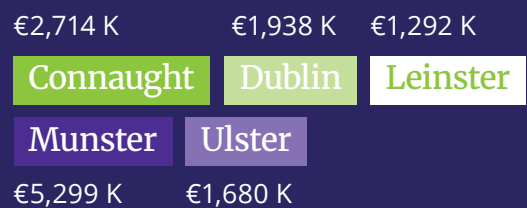
Types of Lending – All Loans



Lending in 2017 by Sector



Lending in 2017 by Geography



Income & Expenditure Account For the year ended 31st December 2017

	2017	2016
	€'000	€'000
Income	254	367
Loan Loss (Charge) Credit	(124)	152
Administrative expenses	(605)	(617)
(Deficit) on ordinary activities	(475)	(98)
Gain on Loan Settlement	371	527
(Deficit) Surplus for year	(104)	429
Reserves at beginning of year	25,428	24,999
(Deficit) Surplus on ordinary activities before Taxation	(104)	429
Reserves at end of year	25,324	25,428

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 2017 and 31 December 2016.

Financial statements for the years ended 31 December 2017 and 31 December 2016 have been delivered to the Registrar of Companies in Dublin.

Balance Sheet as at 31st December 2017

	2017	2016
	€'000	€'000
Fixed assets		
Tangible fixed assets	2	4
Current assets		
Loans and advances to SLOs net of provisions	21,334	14,837
Loans to subsidiary	7,089	8,484
Cash and Cash equivalents	22,211	26,945
Other debtors	46	245
	50,680	50,511
Creditors - (amounts falling due within one year)	(4,241)	(3,836)
Net current assets	46,439	46,675
Total assets less current liabilities	46,441	46,679
Creditors - (amounts falling due after more than one year)	(21,117)	(21,251)
Net assets	25,324	25,428
Capital and reserves		
Reserves	25,324	25,428
	25,324	25,428

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.

COMMUNITY HUB

KILLALOE BALLINA
COMMUNITY & FAMILY
RESOURCE CENTRE

Killaloe/Ballina Community and Family Resource Centre

Since its doors first opened in 2003, the Killaloe/Ballina Family Resource Centre has actively engaged with the needs of the residents of the twin towns to establish an accessible, inclusive and inviting community hub. Through training and education, community initiatives, information provision and referral pathways the Centre helps combat isolation whilst facilitating personal development and supporting opportunities for progression and empowerment.

"We are very grateful to Community Finance (Ireland) for providing us with a loan that has assisted us in refurbishing a former Garda Barracks, allowing the continued running of our accessible and inviting community hub."

Kees Duson, Manager, Killaloe/Ballina Community and Family Resource Centre

Social Finance Foundation was pleased to provide the funding to Community Finance Ireland for the project.



NEW BALANCE

Wexford Gymnastics Club

Whenever Ireland competes in gymnastics at an international level, you can be almost certain that the team will feature members of the Wexford Gymnastics Club.

Founded in 1978, it is among the most successful gymnastics clubs in the country with more than 150 titles to date, while some 60 club members have represented their country at international level over the years.

However, success brought its own problems, one including a shortage of adequate space and training facilities.

Young gymnasts joining the club are coached on general fitness and basic gymnastics before progressing to development stage and then to senior level, which can involve training for up to 17 hours weekly.

But without its own dedicated premises, the club was forced to rent limited space from a nearby school, which sometimes saw gymnasts at different levels being coached side by side.

And with more than 120 members on its books, the club has been forced to turn away potential members or place them on a waiting list, due to the lack of space and appropriate facilities.

While the Wexford Gymnastics Club has survived and thrived due to a strong spirit of volunteerism and community support, an investment in its own premises was clearly required to help it grow and strengthen its prospects into the future.

Working with Wexford Council, the club secured a site in Coolcots, close to the town, with the proviso that it would obtain the finance necessary to construct the purpose-built, permanent gymnastics facility.

There are only three such centres in the country and the Coolcots facility was to be the first of its kind in the southeast region.

However, the club encountered some initial difficulty sourcing official funding for the planned centre and turned to Clann Credo for assistance. Given the significant benefit that the new centre would bring to sporting and social life in the region, Clann Credo was proud to play a role in bringing it to fruition.

Social Finance Foundation was pleased to provide the funding to Clann Credo for the project.

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

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