



2018 ANNUAL REPORT



2018 A REVIEW OF THE YEAR

2



Contents



Pádraig Ó'Ruairc,
Director



Deirdre Kiely,
Director

Back row, left to right
 Brian Hayes, CEO, BPF
 Margaret Concannon,
 Head of Credit
 Michael McLoughlin,
 Director
 Marianne Checkley,
 Director
 Pat Horgan, Director
 Deirdre Shields, Director
 Ronan Headon, Head of
 Finance
 Felix O'Regan, Director
 Public Affairs, BPF

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

- 03 Thank You to Our Partners
- 04 Case Studies
- 06 Chair Statement
- 08 Chronology and Highlights
- 09 CEO Statement
- 10 Lending Information
- 11 Social Impact from Loan Funding 2018
- 12 Financial Information
- 14 Case Studies

THANK YOU TO OUR PARTNERS

3



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 loans for the period 2009 to 2020. This enables the social finance infrastructure in Ireland to operate. 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 has agreed to generously provide an additional

€46m in loan funding, again at very low interest rates, for the period 2021 to 2025. This will put the Foundation on a sound financial footing for the next seven years.

The Bank funding has enabled the Foundation to lend €100m to nearly 1,000 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 mainstream business.

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



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

The Foundation acts as a funder to both SLOs, which in turn work with the community and charitable organisations to utilise loan finance to meet their development needs. Both SLOs 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 annually to foster and develop that relationship. We look forward to continuing that very strong relationship, all for the benefit of the community sector in Ireland.

DUBLIN FOOD CO-OPERATIVE

The Dublin Food Co-operative is the longest running wholesale Co-operative in Ireland. After years of searching Dublin's increasingly competitive property market, the Dublin Food Co-operative has finally found a permanent home in Kilmainham, purchased with the assistance of a loan from Community Finance (Ireland). Their new home ensures that fresh organic food, at a price that everyone can afford, will continue to be made available for a long time to come yet.

"It was a real pleasure to work with an institution that already understood our co-operative ethos and that cared about impact as much as we did. The staff at Community Finance (Ireland) provided patient and constructive support throughout, and it was great working closely with their team along the whole journey from finding our new premises, progressing through the sale, getting the support of our membership and finally opening our doors in November 2018".

Sam Toland, Secretary, Dublin Food Co-operative

Community Finance Ireland is supported by Social Finance Foundation which benefits from donated and low-cost funding from the Irish banks

RAHENY GAA CLUB

It is woven so deeply into our social fabric that the well-being of a community is often assessed by reference to the health of the local GAA club. During the 1980s, as emigration depopulated whole swathes of the country, the fortunes of many a town was determined by its capacity to field a GAA team.

While the centrality of the club to community life is more visible in rural Ireland, there can be no doubt of the equally vital role it plays in major urban areas. That this tends to occur below the radar is indicative of the fact that urban GAA must frequently compete for sparse physical and sporting space. But trace the history of any major city club and you will just as surely trace the growth and evolution of the community which it does so much to anchor.

Raheny GAA is a prime example. Established in 1955 it was consciously located at the very heart of what, even now, is referred to as Raheny Village. The club's growth has mirrored that of the locality and it now fields some 50 teams and caters for over 1100 members, all of its activity underpinned by the generous spirit of voluntarism that runs like a powerful current through community life in Ireland.

Clann Credo is supported by Social Finance Foundation which benefits from donated and low-cost funding from the Irish banks

Indeed, it is a measure of the club's sporting progress that it can lay claim to no less a luminary than Brian Fenton, widely regarded as one of the finest GAA players of his generation. Fenton first togged out in the club colours and is now a lynchpin of Dublin's four in a row all Ireland squad. Remarkably, he has never lost a championship game in the sky-blue jersey. Blessed with an effortless and graceful style, the 2018 All Star Player of the Year has been described as the 'madra mor' of the Dublin midfield.

Like clubs across the country, Raheny GAA continually seeks to improve and upgrade the range of services and facilities offered to members and local residents. To this end, it recently secured support from Clann Credo for significant improvement works on its premises. It is just one of many clubs that have benefited from our support over the years. Indeed, another of those beneficiaries was the Spa GAA club in Killarney, a club that also featured a Brian Fenton in its ranks, at one stage. Kerry native Brian Fenton Snr is the father of the young man currently lighting up Dublin GAA.

Hard to deny your heritage.



A message from our Chair

Aidan Barry

The original raison d'être for the setting up of the Foundation in 2007 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 with the establishment of Microfinance Ireland as a subsidiary company and the work on initiatives such as the Personal Microcredit (PMC) and the Social Enterprise Research Report.

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 covers in detail progress during 2018. Appointed as Chair in June 2018, I would like to pay tribute to those who have made the work of the Foundation impactful and relevant.

Irish Banking Industry

As outlined earlier, the funding of the Foundation is wholly provided by the Irish banks at very low interest rates which enables the social finance infrastructure in Ireland to operate. I am particularly pleased that the Irish banks have agreed to provide an additional €46m in loan funding, at very low interest rates, for the period 2021

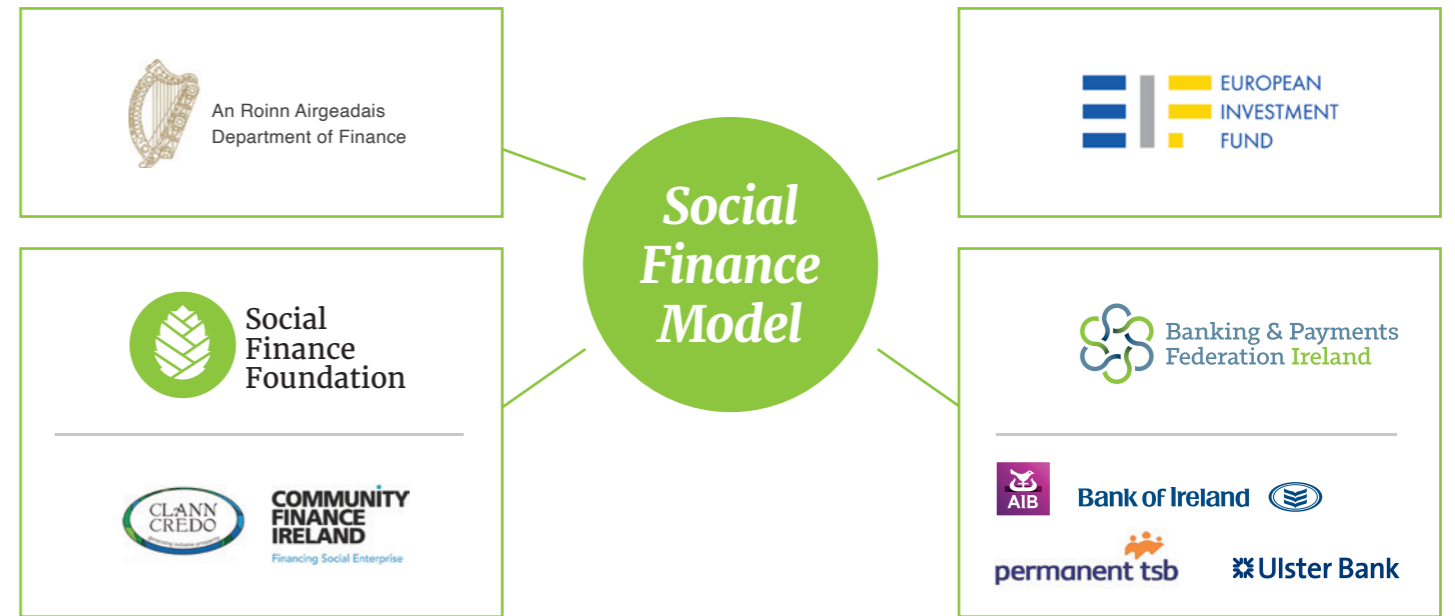
to 2025. This financial support, which is generously and genuinely given, puts the Foundation on a sound footing for the next seven years.

Social Lending Organisations (SLOs)

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. They work collaboratively with the local organisations to develop a proposal which meets their needs and satisfies the SLO's credit criteria.

MFI

Over the six years of its existence, MFI has approved €28m to 1,951 micro enterprises and supported 4,808 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 in the form of loan loss guarantees. The EaSI loan guarantee scheme from EIF, provides financial support worth €3m to MFI and has been an important financial support to the company. I would like to acknowledge the commitment and great work of the Board, management team and staff in Microfinance Ireland over the six-year period and wish them continued success in 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. 2018 saw the retirement of Sheila Nordon, a founder director of the Foundation and Chair since 2011. Sheila has played a vital role in the development of the Foundation from a concept in 2007 to the important social organisation that it is today. The Foundation has benefited enormously from Sheila's wisdom and enthusiasm for the social finance mission. 2018 also saw the retirement of Éilish Finan and Mary Brennan from the board after six years of dedicated service. Their experience and skills were very much valued, particularly in the area of corporate governance and I thank them for their contribution. The Board recruited five new Directors – Marianne Checkley, Paula Cunniffe, Michael McLoughlin, Deirdre Shields and Pauline Williamson – I look forward to working with them in the coming years.

Management and Staff

I would like to thank our 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 delivered over the past eleven years. Their initiative is evident in the establishment of MFI and the development of the Personal Microcredit Initiative (PMC) and the partnership with the Department of Rural and Community Development to produce a Research Report to inform a 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**

CHRONOLOGY AND HIGHLIGHTS

2007

February

Minister for Finance publicly launches Social Finance Foundation

March

Irish banks provide €25m to Foundation

August

Loan drawings commence with First Step Microfinance

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

August

Social Enterprise Project with Department of Rural and Community Development

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



A message from our CEO

Brendan Whelan

2018 has been a satisfactory year under several headings.

1. Loan Funding and Financial Results

In the year 2018, lending of €30m was approved (and €20.6m drawn down). Loan balances outstanding at year end increased by €11.4m from €23.3m in December 2017 to €34.7m in December 2018 driven by 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 €231k, with administrative expenses totalling €560k, resulting in an operating deficit before loan losses of €329k. The loan loss charge was €474k, 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 €102k for the Foundation. As a result, the overall outcome for the financial year was a net deficit of €701k. 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 historical 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 of €24.6m remain close to the €25m, the original equity at establishment, which represents strong financial stewardship.

2. MFI

2018 also saw significant growth of business in our subsidiary Microfinance Ireland (MFI). The value of loan applications was up 9% in the year and €5.4m in new loans were approved to 384 businesses supporting 856 jobs. MFI continues to play a key role in supporting individuals to create or maintain microenterprises by obtaining finance, otherwise unavailable from mainstream sources.

3. Initiatives

Progress on the Personal Microcredit and Social Enterprise initiatives continued in 2018. 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

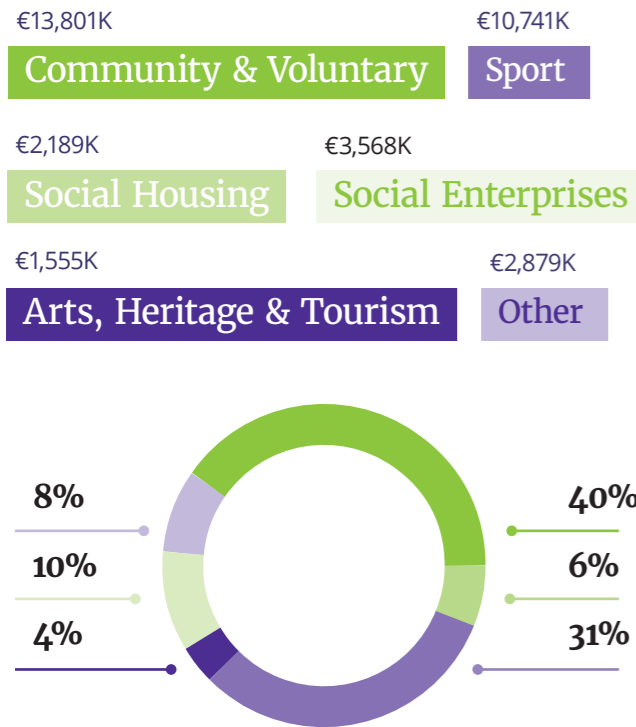
As per the Chair's Statement, I would like to thank the Department of Finance for the encouragement and support they give to the Foundation. Our partnership with the Irish banks remains strong as evidenced by their decision to provide an additional €46m in loan funding, at very low interest rates, for the period 2021 to 2025. Without the generous support of the Irish banks, the Foundation would not be able to continue its work.

I 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.

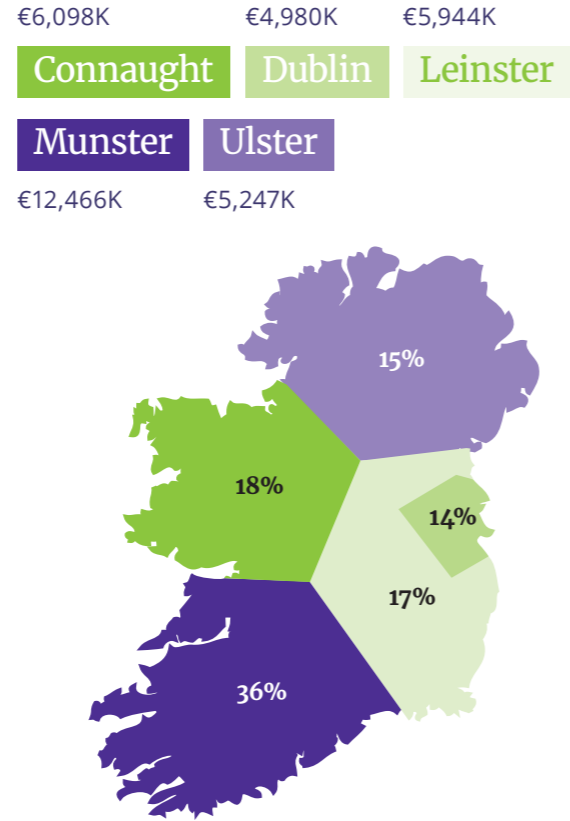
Finally, with the management team, I would like to thank the Board of Directors for the direction and support given throughout 2018.

**Brendan Whelan,
Chief Executive Officer**

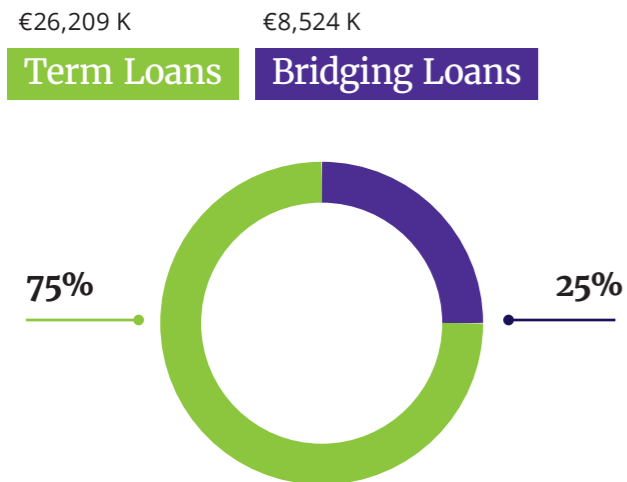
Lending by Sector - All Loans



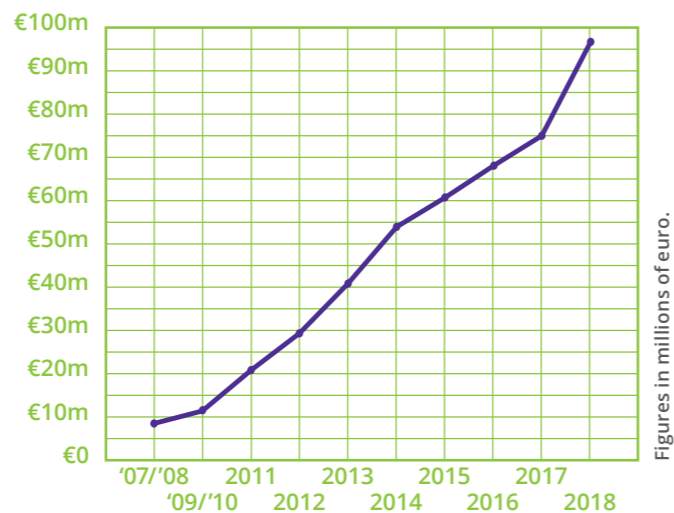
Lending by Geography - All Loans



Types of Lending - All Loans



Loan Growth - Cumulative Loans in €m



SOCIAL IMPACT FROM LOAN FUNDING 2018

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 2018.



**INCOME & EXPENDITURE ACCOUNT FOR
THE YEAR ENDED 31ST DECEMBER 2018**

	2018	2017
	€'000	€'000
Income	231	254
Loan Loss (Charge) Credit	(474)	(124)
Administrative expenses	(560)	(605)
(Deficit) on ordinary activities	(803)	(475)
Gain on Loan Settlement	102	371
(Deficit) Surplus for year	(701)	(104)
Reserves at beginning of year	25,324	25,428
(Deficit) Surplus on ordinary activities before Taxation	(701)	(104)
Reserves at end of year	24,623	25,324

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 2018 and 31 December 2017.

Financial statements for the years ended 31 December 2018 and 31 December 2017 have been delivered to the Registrar of Companies in Dublin.

**BALANCE SHEET AS AT
31ST DECEMBER 2018**

	2018	2017
	€'000	€'000
Fixed assets		
Tangible fixed assets	3	2
Current assets		
Loans and advances to SLOs net of provisions	32,366	21,334
Loans to subsidiary	10,667	7,089
Cash and Cash equivalents	12,648	22,211
Other debtors	39	46
	55,720	50,680
Creditors - (amounts falling due within one year)	(4,880)	(4,241)
Net current assets	50,840	46,439
Total assets less current liabilities	50,843	46,441
Creditors - (amounts falling due after more than one year)	(26,220)	(21,117)
Net assets	24,623	25,324
Capital and reserves		
Reserves	24,623	25,324
	24,623	25,324

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.

ASSOCIATED BRIDGE CLUBS OF DROGHEDA

Omar Sharif was perhaps its most debonair exponent, but the late Hollywood star was in good company. Former general and US president Dwight Eisenhower was a regular player while, in more recent years, Martina Navratilova, Bill Gates, investor Warren Buffet and rock band Radiohead have all spoken of their passion for the game of Bridge.

Less a pastime than a way of life, Bridge is amongst the most enduringly popular of all card games, with regular tournaments played in dozens of countries across the globe and millions of players worldwide.

Included in that number are some 300 residents of Drogheda and the surrounding areas, all members of the seven bridge clubs that cater for the town and the wider region.

However, that popularity has created its own unique pressures not least the need to secure suitable, accessible spaces in which local devotees can meet and play.

On a weekly basis, up to 200 members and players had little choice but to make do with an array of rented rooms, hotels and quiet spaces in local bars. In many instances, poor accessibility and lack of parking forced older members

to walk considerable distances to the venues.

The absence of suitable space not only made it difficult for existing members, especially those with an older age profile, but it was also less inviting and attractive for newer members to take up the game.

In pursuit of a solution to their common problem, the town's seven bridge clubs pooled their resources and the Associated Bridge Clubs was born.

In their search for a suitably sized and centrally located premises, the Association came upon an old ESB warehouse in Drogheda, which they subsequently acquired. Plans were immediately drawn up to transform the building into a modern, accessible space that could cater comfortably for all clubs and members.

However, financing the modernisation and rebuild proved more difficult and the association approached Clann Credo for support.

A careful evaluation of the project revealed major social dividends for the 300 plus club members and the wider community, along with the undoubted economic benefits that a thriving club would deliver to the local economy.

Clann Credo is supported by Social Finance Foundation which benefits from donated and low-cost funding from the Irish banks

SENSATIONAL KIDS CLG

Sensational Kids CLG was founded in 2007 to bridge the gap between public and private educational and developmental services for children and families. Services include occupational therapy, speech and language therapy, educational psychological assessment, specialist reading teachers and counselling. During 2018, Sensational Kids CLG received a loan from Community Finance (Ireland) to help them expand, their terrific services, into the Munster and Connaught areas.

"Community Finance (Ireland) was a tremendous support to help us grow and scale our social impact. We were pleasantly surprised by the guidance and support throughout the application process as well as being very impressed by the efficiency and prompt decision making. The support from Community Finance enabled us to deliver our plans for growth without any delay. We really couldn't have made such an impact on the lives of so many children with additional needs without their support."

Karen Leigh, Founder & CEO,
Sensational Kids CLG

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Charity Registration Number 20063900

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