



Social
Finance
Foundation

2020 Annual Report

2020 Annual Report

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Back row, left to right
Michael McLoughlin, Director
Marianne Checkley, Director
Pat Horgan, Director
Deirdre Shields, Director

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

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Pádraig Ó'Ruairc,
Director

Banks



The Banking Industry in Ireland

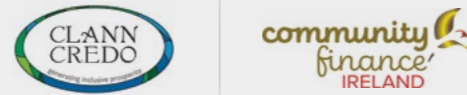
The Foundation has been funded by the Irish banks by way of a €25m non-repayable grant in 2007, and by €72m in low interest rate loans for the period 2009 to 2020. This has enabled the social finance infrastructure in Ireland to operate successfully. Without such support, many of the projects and initiatives 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 €44m in loan funding, again at low interest rates, for the period 2021 to 2025.

The Bank funding has enabled the Foundation to lend over €143m to over 1,500 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 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. We welcome the recent appointment of new CEOs in each SLO and thank their predecessors for their significant contribution to the social finance cause down the years. 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.

The Social Finance Foundation is a non-profit organisation and a registered charity that was established by Government and the Banking Industry in 2007. Its 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 business loans of up to €25k to microenterprises likewise unable to obtain them from mainstream lending sources. The context for its establishment was as part of the national recovery plan following the financial crisis in 2008/9. Its purpose was 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.

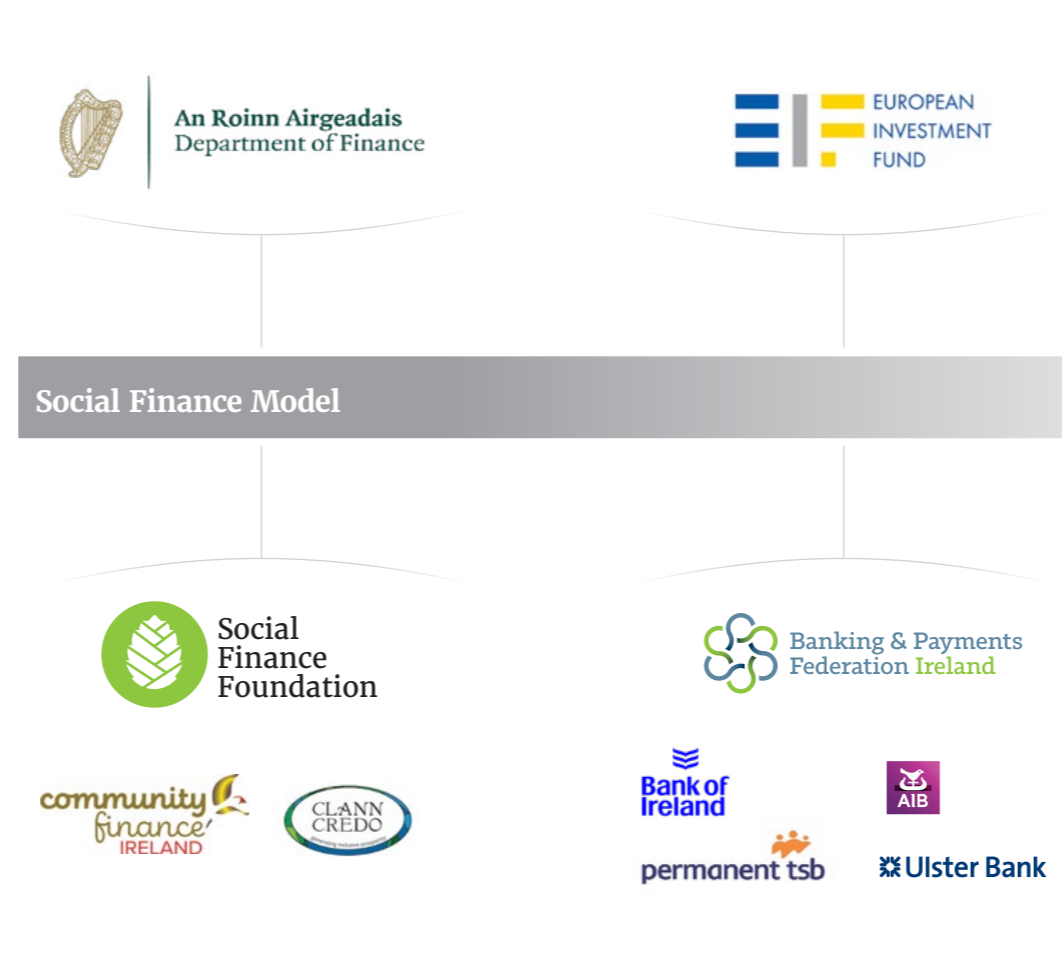
Our social finance operating model as outlined below is unique to Ireland. It combines the State, acting through the Department of Finance, the Private Sector through the representatives of the participating banks, the Third Sector through the Social Lending Organisations, and the EU through the support of its European Investment Guarantee. It is this extensive and interdependent 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.

Since the outbreak of Covid-19, our country along with the rest of the world is facing one of its most challenging periods. The impact of the virus has been far reaching and the response by individuals and communities is unparalleled. The Foundation is working and will continue to work closely with our Social Lending Organisation (SLO) partners to support our community and social organisation borrowers through this crisis. While the longer-term consequences of the pandemic are uncertain, I am confident that the Foundation with its strong capitalisation, liquidity, support from the Irish Banking Industry and European Investment Fund is well placed to assist the reopening and rebuilding of the social sector following Covid-19. The CEO's report which follows covers the progress made during 2020 and our response to Covid-19.

In this message I would like to acknowledge and express my gratitude 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 (AIB Bank, Bank of Ireland, EBS, Permanent TSB and Ulster Bank) at low interest rates which enables the social finance operating model in Ireland to operate. I am particularly pleased that, with the support of Banking and Payments Federation Ireland (BPF), the Irish banks provided a new facility worth €44m in loan funding, at low interest rates, for the period 2021 to 2025. This financial support, demonstrating the banking industry's continuing commitment and generosity to our



mission, puts the Foundation on a sound footing for the next five years.

Social Lending Organisations (SLOs)

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

Microfinance Ireland (MFI)

Over the eight years of its existence, Microfinance Ireland has approved €61m to over 3,600 micro enterprises and supported over 9,000 jobs. This would not have been possible without equity funding from the Department of Enterprise, Trade and Employment, loan funding at preferential rates from the Irish banks, and support from the European Investment Fund (EIF) in the form of loan loss guarantees. The EaSI loan guarantee scheme from EIF, provides financial support worth more than €3m to MFI and has been an important financial support to the company.

The year 2020 was an exceptional year for MFI due to Covid-19. The company displayed extraordinary entrepreneurial skills in designing and launching a special loan fund to support microenterprises impacted by Covid-19. As a result, the volume of approvals by MFI in 2020 quadrupled that written in 2019. While this put enormous pressure on MFI, it responded exceptionally well and managed to maintain the strong corporate governance and management practices it had developed over the years.

An independent review of the company confirmed the importance of MFI as a part of the State's business support infrastructure and the need for it to continue in that role into the future. We welcome the government's decision to continue to support the work of MFI as expressed in the Microenterprise Loan Fund (Amendment) Act 2020 and the provision of €24.8m in government grants during 2020. This brings the cumulative amount of government grant funding for MFI to €44.8m

I would like to acknowledge the commitment and great work of the Board, its Chairman Cyril Forbes, its CEO Garrett Stokes, and his management team and all the dedicated staff in Microfinance Ireland, particularly in this extraordinary year, and wish them continued success.

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 very much appreciated. Paula Cuniffe retired from the Board in December 2020 and I thank her for her contribution over her two and a half years as a Director.

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, resulting in the National Policy for Social Enterprise in Ireland in 2019 and the establishment of Social Enterprise Republic of Ireland (SERI) in 2020.



Aidan P. Barry
Chair



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

2020

July

Social Enterprise Republic of Ireland (SERI) established with the support of the Foundation.

December

MFI quadruple loan approvals in 2020 to support micro-enterprises during Covid-19.

2021

February

Appearance at Oireachtas Committee advocating for cap on interest rates for money lending organisations.

Despite what the Chairman has described as one of the most challenging periods for the world at large due to Covid-19, 2020 has yet been a satisfactory year under several headings.

Loan Funding and Financial Results

In the year 2020, lending of €41m was approved (and €21.5m drawn down). Loan balances outstanding at year end increased by €3.4m from €42m in December 2019 to €45.4m in December 2020. Social organisations continued to plan for their futures despite the temporary impact of Covid-19.

Income amounted to €243k, with administrative expenses totalling €460k, resulting in an operating deficit before loan losses of €217k. Including a loan loss charge of €296k, the overall outcome for the financial year was a net deficit of €513k.

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 €23.6m remain close to the €25m, the original equity at establishment in 2007, which represents strong financial stewardship.

The Foundation's long established remote working model has allowed it respond effectively and quickly to the challenges of COVID-19. Work practices have been adapted to ensure the safety of our small number of employees and to provide dual cover in the case of illness. We have supported and will continue to support our SLO partners offering moratoriums and flexibility on repayments to our social sector borrowers. Since the start of COVID-19, 30% of borrowers by number have sought and were granted a repayment moratorium. While undoubtedly some organisations will struggle to reopen after COVID-19, and indeed a very small number may never resume operations, the impact on the Foundation's loan book should

be manageable, especially with loan losses shared 50/50 with the SLOs and Loan Loss Provisions of €3m. Indeed, it is encouraging that as of March 2021, 60% of moratorium cases have resumed full repayments. We look forward to further easing of restrictions as the vaccination campaign accelerates.

Our team has seen the strength and resilience of the community and voluntary sector in the last financial crisis and anticipate a strong recovery from most of our borrowers. Our own strategy has been to operate with strong capitalisation and liquidity. With €23.6m in capital and €17.1m in cash at December 2020, and with continued funding from the Irish Banking Industry supported by loan guarantees from the European Investment Fund, we are confident in our ability to support the reopening and growth of the social sector following COVID-19.

MFI

MFI continues to play a key role in supporting individuals to create or maintain microenterprises by obtaining finance, otherwise unavailable from mainstream sources. 2020 saw significant growth of business in our subsidiary Microfinance Ireland (MFI). The value of loan applications was up 101% in the year and €27m in new loans were approved to 1,229 businesses supporting 3,000 jobs.

An independent review of the company confirmed the importance of MFI as a part of the State's business support infrastructure and the need for it to continue in that role into the future. We welcome the government's decision to continue to support the work of MFI as expressed in the Microenterprise Loan Fund (Amendment) Act 2020 and the provision of €24.8m in government grants during 2020. This brings the cumulative amount of government grant funding for MFI to €44.8m

Initiatives

Progress on the Personal Microcredit and Social Enterprise initiatives continued in 2020. The Foundation played an important role in the establishment of

Social Enterprise Republic of Ireland (SERI) in July 2020 to act as the representative body for the social enterprise sector. Significant progress was made in the PMC initiative with an appearance at an Oireachtas Committee to advocate for a cap on interest rates for money lending organisations. It has taken many years of painstaking effort to reach this position and it is anticipated that a legislative cap will be put in place in the coming 12-18 months. 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 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 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 amongst other things, 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 2020.



Brendan Whelan
Chief Executive Officer

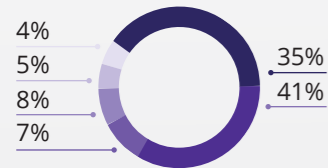
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Lending Information

All Loans Loan Bals €k's Dec 2020

Lending by Sector

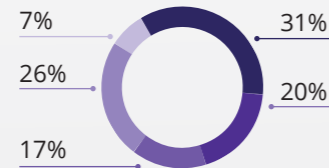
- €15,868k Community & Voluntary
- €18,629k Sport
- €3,180k Social Enterprises
- €3,517k Other
- €2,341k Social Care Housing
- €1,846k Arts, Heritage & Tourism



All Loans

Maturity Profile

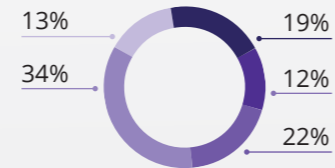
- €13,974 < 1 Year
- €9,053 2-3 Years
- €7,523 4-5 Years
- €11,639 6-10 Years
- €3,193 > 10 Years



All Loans Loan Bals €k's Dec 2020

Lending by Geography

- €8,640k Connaught
- €5,433k Dublin
- €9,824k Leinster
- €15,410k Munster
- €6,074k Ulster



All Loans Loan Bals €k's Dec 2020

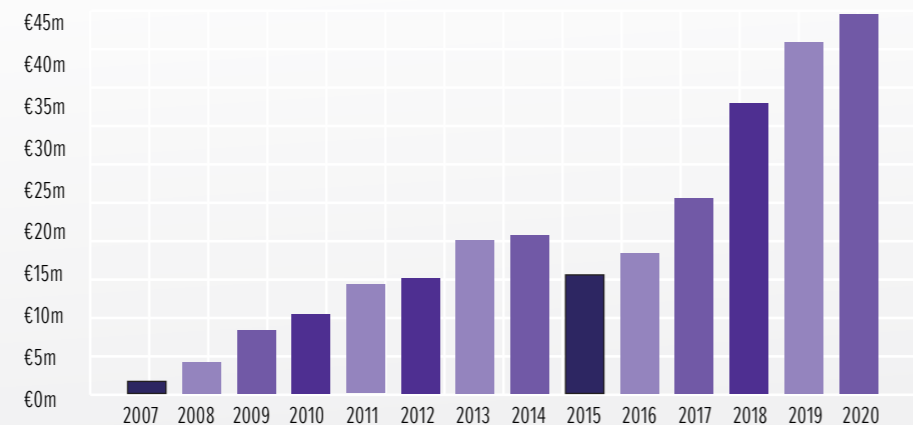
Types of Lending

- €36,335k Term Loans
- €9,047k Bridging Loans



Loan Growth Loans Outstanding in €m

Outstanding Balances at Year End



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Social Impact from Loan Funding 2020

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.



17,400
No. of children using facility



107,190
No. of people using community facility



150,330
No. of people using sports facility



7,400
No. of social care users



181,980
No. of visitors



1,200
Jobs supported – mostly temporary



CLIENT:

Carnaross GFC

LOCATION:

Co. Meath. Leinster

Planning for future players and success

With a current membership of almost 450 this GAA club was beginning to run out of space and needed to modernize and build for the future.

Its growing, diverse and vibrant membership recognized a new clubhouse was needed. One that could support both young and adult level requirements. This project was costed at €318K.

The community and members came together, raised a significant amount of funds themselves and secured some grants. But they had a shortfall.

Their term loan was the solution to this short-fall and the team in Community Finance Ireland were delighted to help, as the management and the club was proof of a sustainable and viable community project.

Today their new clubhouse is operational. It has all the modern facilities you would expect such as new dressing rooms and toilets for all plus the ability to support the ongoing community connections and foster the love of the game.



CLIENT:

Ballinasloe Town Hall

LOCATION:

Ballinasloe, Galway, Connaught

Community Hall celebrates heritage and history whilst upgrading to ensure its door is always open

Built in 1845, Ballinasloe Town Hall represents one of the most significant aspects of the local built heritage.

In 2007 local user groups formed a committee and in 2010 established what is now a CLG.

Since coming into the ownership of the local parish, the hall was the ideal venue for events focused on the wider community e.g. screenings of silent movies, Boy Scouts and Band practice etc.

As with any historical building the time came when the roof and the interiors required repair – as the decay meant the community were finding the space almost unusable due to safety and regulations.

With the help of grants, fundraising and rental of the theatre, the group have improved the facilities, with a new roof, insulation, painting of the auditorium and foyer, etc.

The team in Community Finance Ireland were on hand to facilitate a bridging loan that ensured upgrade work could continue, whilst their LEADER grant payment arrived.

And so another chapter in the hall's history can continue.



CLIENT:

Daingean GAA Club

LOCATION:

Offaly

Local Heroes: Daingean GAA Club

Daingean GAA Club in Offaly received a national Special Recognition Award the Federation of Irish Sport's Volunteers in Sport awards in January 2021.

Clann Credo have worked with the Club to help finance an extension to the local Sports Hall and we know how committed to the future of their community they are. But the club went above and beyond to assist their community last year, coming together to support the most vulnerable through very challenging times of 2020 - including giving many back-breaking days footing turf on the bog.

Despite the hard labour, it looks as if everyone enjoyed it too! It was wonderful to see them honoured for their thoughtfulness and hard work at January's virtual awards ceremony.

Local sports clubs contribute so much to their communities. The Volunteers in Sport Awards are hosted annually by our partners in the Federation of Irish Sport. These awards were created to champion the contribution, commitment and

dedication of the army of 450,000 volunteers across Ireland who go above and beyond by giving their time to sport and physical activity each year. These volunteers dedicate some 37.2 million hours of volunteering across the country's 13,000+ sports clubs and associations.

It is a privilege for Clann Credo to work with local sports clubs and community groups. Without them our communities would have so much less heart.



CLIENT:

Castlebar Voluntary
Social Services

LOCATION:

Castlebar

Castlebar Voluntary Social Services

Covid-19 restrictions paused so many community activities and services throughout 2020, but some community services were pushed into overdrive.

Castlebar Voluntary Social Services was founded in 1973 to care for the older and more vulnerable people of Castlebar and surrounding areas. They run several services, central to these are their Meals on Wheels and Befriending Services.

When Covid-19 restrictions came into force, demand for both services surged. Previously, they provided meals to about 100 clients. Now, they cater for over 200. Their Befriending phone calling service talked with 80 older people per week before the crisis, now they're speaking with about 150 people each week.

Clann Credo is very proud to be working with Castlebar Voluntary Social Services to improve the accessibility of their building by providing a lift to upstairs rooms. This will make many more activities accessible to everyone in the community, from Bridge to Tai Chi and ICA activities along with many others. The added accessibility will also mean added income from room rentals.

Of course, building works have been stopped now and all hands are on deck to cope with the increase demand for Meals on Wheels and Befriending phone calls.

Deirdre Waldron, the Centre's Manager has received great support from the GAA who have put her in touch with volunteers ready to put their hand to anything. Also, the community has been donating generously to the Centre's Go Fund Me page, but the struggle to keep the show on the road financially is very real. "Without our rental income we won't be able to pay our ongoing bills - we still have to heat the building so that we can provide the meals. Without our Flag Day and Church Gate Collections, finishing the building to the standard we need will be delayed for a long time."

Clann Credo salutes the work being done by Castlebar Voluntary Services in such difficult circumstances. This kind of resilience and adaptability is what makes the community sector so valuable.

Income & Expenditure Account for the Year ended 31st December 2020

	2020	2019
	€'000	€'000
Income	243	228
Loan Loss (Charge) Credit	(296)	(336)
Administrative expenses	(460)	(514)
(Deficit) on ordinary activities	(513)	(622)
Gain on Loan Settlement	-	101
(Deficit) Surplus for year	(513)	(521)
Reserves at beginning of year	24,102	24,623
(Deficit) Surplus on ordinary activities before Taxation	(513)	(521)
Reserves at end of year	23,589	24,102

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 2020 and 31 December 2019.

Financial statements for the years ended 31 December 2020 and 31 December 2019 have been delivered to the Registrar of Companies in Dublin.

Balance Sheet as at 31st December 2020

	2020	2019
	€'000	€'000
Fixed assets		
Tangible fixed assets	2	4
Current assets		
Loans and advances to SLOs net of provisions	42,401	39,351
Loans to subsidiary	6,323	8,523
Cash and Cash equivalents	17,148	13,300
Other debtors	7	24
	65,879	61,198
Creditors - (amounts falling due within one year)	(6,942)	(6,111)
Net current assets	58,937	55,087
Total assets less current liabilities	58,937	55,091
Creditors - (amounts falling due after more than one year)	(35,350)	(30,989)
Net assets	23,589	24,102
Capital and reserves		
Reserves	23,589	24,102
	23,589	24,102

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

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Registration Number 20063900