

# THE STATE OF SOCIAL FINANCE IN CANADA'S CHARITABLE SECTOR

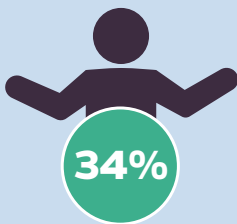
Imagine Canada conducted a national survey of charities to better understand the current state of social finance and its potential and challenges for charities.

## What is Social Finance?

For charities, social finance will closely resemble debt financing, such as taking a loan from a bank. The key difference is that social finance is intended to be easier to access and repay, and charities will be expected to use the loan to deliver a social, cultural, and/or environmental impact.

## WHAT DID WE FIND?

### A MAJORITY OF CHARITIES HAVE A LOW AWARENESS OF SOCIAL FINANCE



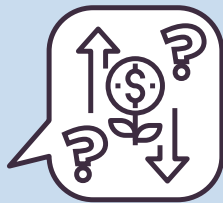
had **never heard** of the term "social finance" before



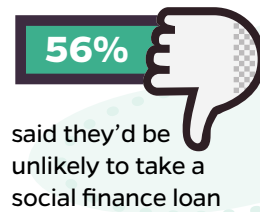
had heard of the term, but are **not clear** on the details

UP TO **1/3** OF CHARITIES DO NOT HOLD STRONG OPINIONS ABOUT SOCIAL FINANCE,

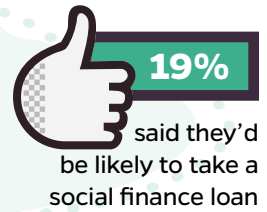
such as whether social finance will improve charities' financial sustainability or whether it will crowd out other sources of funding for charities.



### A MAJORITY OF CHARITIES ARE **NOT LIKELY** TO TAKE A SOCIAL FINANCE LOAN



said they'd be unlikely to take a social finance loan



said they'd be likely to take a social finance loan

### CHARITIES FACE **SUBSTANTIAL BARRIERS** TO SEEKING A SOCIAL FINANCE LOAN



25%

do not currently generate earned income



23%

are uncertain about their ability to repay a loan



21%

said their board would not consider or approve of a loan



19%

lack assets needed to acquire a loan

### MANY CHARITIES REPORT **WEAKNESS IN ABILITIES** IMPORTANT FOR ACCESSING AND REPAYING SOCIAL FINANCE.



41%

Raise unrestricted funds when needed



35%

Draw on a diverse range of revenue sources



35%

Collect data to evaluate work



32%

Assess full social/ environmental impact of work



28%

Consistently and predictably generate an operating surplus



27%

Draw on existing assets when needed

Results are based on a representative sample of 1,018 registered charities.

See full report: ["Are Charities Ready for Social Finance? Investment Readiness in Canada's Charitable Sector"](#).

WHAT DOES THIS MEAN FOR CANADA'S SOCIAL FINANCE MARKET?

Given current market conditions, many charities may not be ready to access and repay social finance.

**As it exists now, social finance may favour larger charities.**

Larger charities are more likely to:



- ✓ be aware of social finance
- ✓ hold positive opinions about social finance
- ✓ take a social finance loan
- ✓ report strong organizational capacity for social finance

Yet, if only larger charities are able to access social finance, this would result in a narrowed range of needs and issues being addressed.



**Continued work is needed** to build charities' readiness and to adapt the supply of social finance around the concrete needs and capacities of charities.



BUILDING SOCIAL FINANCE READINESS:



**More education about social finance is needed** before charities can responsibly pursue it further. This is especially the case for smaller charities, Arts, culture & recreation charities, and charities that serve smaller geographic areas.



**Charities will likely need capacity supports** to help them acquire, develop, and retain staff with the right skills and experience to manage social finance projects. As for specific skill sets that may need to be developed, measurement and evaluation skills require attention.



**Charities could benefit from business and legal advice** around how they could generate earned income, which is critical for accessing social finance.

ADAPTING SOCIAL FINANCE SUPPLY:

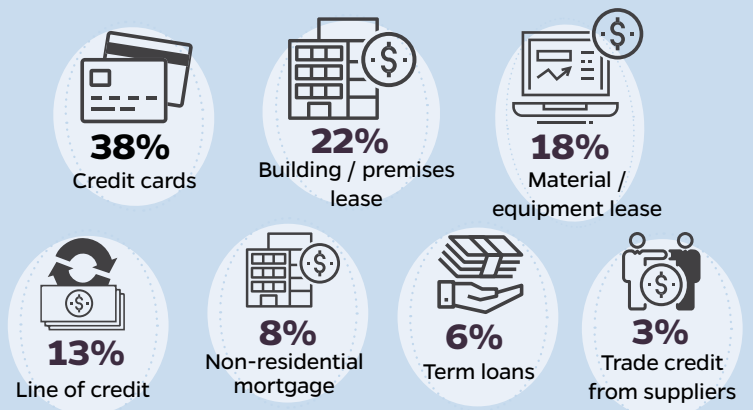
Charities hold a variety of debt types for a variety of uses, which suggests a **diverse range of social finance offerings may be the best way to meet charities where they are at.**

50% of charities currently hold some type of debt



48% do not currently hold debt

Types of **debt** held by charities:



A sizeable percentage of charities are uncertain about their finances, uncertain about their ability to repay a loan, and lack assets needed to access a loan - all of which suggests that **charities will require flexible financing.**