



A PROPHETIC BIBLICAL GESTURE

By Fr. Paul E. Hansen C.Ss.R.

The following is an excerpt from an article that will be appearing in the CRC Fall Bulletin (2013).

They were exciting times indeed. In 1958 the conclave elected Pope John XXIII. Within months John called for a Vatican Council. The world was changing – new winds and energy were in the air. The new Pope asked religious of the global North to consider sending missionaries to the global South. A new awareness concerning the meaning and purpose of Religious Life was the talk. Pope John died during the Council (1962-65) and in 1963 Pope Paul VI was elected to lead the church and the Council.

Pope Paul VI encouraged Religious to take a very serious look at their constitutions and to bring them in line with the thinking and convictions voiced during the Second Vatican Council and they did.

A few superiors and others gathered and realized that it was not only individual religious but their communities who had to hear this call. They decided that an economic model that ensured their financial resources were used justly was needed. As a result the Canadian Alternative Investment Cooperative was founded 30 years ago. CAIC is an investment vehicle for its 43 members...and provides access to capital to groups, organizations & cooperatives with great commitment to the common good, the poor, the marginalized, new immigrants and refugees.

As we are all aware, the times are radically changing. The demographics of Religious life in Europe and North America are changing as well. Communities are joining forces with

others of similar charisms.

At the Annual General Meeting in 2009, CAIC’s members discussed this changing demographic and encouraged CAIC’s board to explore the impact of these changes on the work of CAIC. CAIC’s members were concerned about the work of CAIC continuing in its current investment structure. It was determined that a foundation was a way to ensure that the work of CAIC would continue but in a new way – as a permanent legacy.

The Canadian Alternative Investment Foundation (CAIF) is a “sister organization” to CAIC and as such builds on its three decades of experience as a social lender. CAIF also provides access to low-cost capital to charities with projects of social benefit ... and can provide technical assistance/ organizational capacity building grants to ensure loan recipients are successful in their ventures.

These 2 sister organizations want the great apostolic work of Religious over the last 30 years to continue. As mentioned, given the restructuring of Religious life, the changing cultures and world in which we find ourselves, the Foundation is a way that this prophetic biblical conviction of the founding and continuing members of CAIC may and must continue.

For more information about the Canadian Alternative Cooperative and the Canadian Alternative Investment Foundation and to appreciate the relationship between the two please visit www.caic.ca and/or www.caifoundation.ca.

Inside this issue:

AN INTERVIEW WITH BETH COATES, FINANCIAL MANAGER	2 & 3
CAIC AGM 2013	3
OUR PROJECTS	4

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AN INTERVIEW WITH BETH COATES, CAIC'S FINANCIAL MANAGER

Recently our Financial Manager, Beth Coates was interviewed by Purpose Capital (a consulting group in the Impact Investing Field) as part of a "state of the nation report" on Social and Impact Investing to be launched in the fall in partnership with the MARs Centre for Impact Investing and RBC. The report's authors wanted to ensure that CAIC's long history of work was included; as they put it "(CAIC was)doing it before anyone else". Here are some excerpts from the interview which we thought might also provide some insight into CAIC for our members!

How does CAIC select which organizations to provide financing to? What specific Criteria do you employ?

- ◆ Non Profits and Charities – with a mission that has a clearly defined social benefit (which is on our website)
- ◆ Cooperatively organized groups (profit or otherwise) with a social mission

Once this first criteria has been met we assess risk and look to financial viability much as any other investor would.

How much Capital did you deploy in 2012?

New loans of \$1.6M for a total of \$4.8M.

Can you give an estimate of the growth of your loan portfolio between 2013 -2018?

We placed an additional \$2.0M in 2013 and our portfolio is now \$5.5M. Our total assets are \$6.7M, so we are coming close to capacity.

What challenges do you face in allocating and placing capital for impact investing?

◆ Assessing risk – it is very difficult to model and measure risk when virtually all our deals are "one offs". There is very little in the way of precedents to use for benchmarking. Even when precedents exist there are not the resources in this sector to properly document and analyze done deals (both the "good" and the "bad").

◆ This sector is very personality directed. The success of a venture is very much dependant on the attributes and the determination of the principal players in the project; many of whom put 110% of themselves and sometimes even their personal assets on the line to make a project happen. Finding projects with skilled and determined prime movers is difficult.

◆ Cost – completing due diligence is very costly because we cannot take a cookie cutter approach to these deals and often those seeking a social investment do not have

the resources to bear this cost or the resources and capabilities to gather the required information for investors. Sometimes they even have a hard time understanding what it is that investors want.

Do you feel there is a shortage or abundance of investible opportunities to consider?

Definitely a shortage. There are lots of social enterprises etc. seeking money, however they are start ups and really what they are looking for is either a grant or an angel investor who understands the very high risks involved.

To what extent are your desired social and financial returns being realized?

◆ Social returns are definitely being met and on two fronts. Firstly the projects are going ahead and secondly they are going ahead on a sustainable basis. These projects are strong enough to repay debt and therefore build assets which will sustain them when they meet the inevitable rough patches.

◆ In this low interest rate environment it is hard to say that anyone's financial return objectives are being met – however we have not experienced significant loan losses (last write off was in 2005) and do make a return to our members so our financial objectives are being met. As we come close to being fully subscribed our financial results improve.

Can you describe an impact investment that CAIC has made that encapsulates your goals and objectives for engaging in this space?

This year we provided a 2nd mortgage to The Halifax YWCA so that it could finish its project to build a daycare in a high needs neighborhood. Financing for this project came from the provincial government, the YWCA itself and CAIC. CAIC very much sees itself as being the "final piece of the puzzle" in allowing projects to proceed.

Our experience is these are not the types of projects or deals that banks want to get involved in. In fact one of CAIC's application questions relates to availability of other sources of capital. (In this case the YWCA's local bank did turn them down). CAIC only wants to do a deal if other (reasonably priced) sources are not available. This loan allowed the daycare to proceed and for the YWCA to restructure its facilities to reduce operating costs and improve long term sustainability.

What are some of the things you wish you had known when you first began?

- ◆ How difficult it is to find good projects;
- ◆ How woefully unprepared this sector is to accept and

AN INTERVIEW WITH BETH COATES (CONTINUED)

effectively use capital;

◆ How complex the world of non profits and charities is. There seem to be so many rules, regulations, constraints. Dealing with government is very tricky (i.e. time lags on financing etc.);

◆ How fragmented this world is. It often seems like many small silos – getting the message out or organizing this sector is difficult.

What role can community loan funds play in building the impact investing market?

◆ Community loan funds have the wonderful advantage of being very close to the grass roots and working with individuals or small groups of people on a one-to-one basis. If impact investors are interested in supporting micro-entrepreneurs, community loan funds are the perfect partners.

◆ Community loan funds can assist in business plan preparation, loan application review and selection, mentoring and ongoing support.

◆ Community loan funds can also get micro-entrepreneurs ready for the next level of investment – perhaps with an impact investor.

◆ Community loan funds have expertise in the “back

office” functions such as loan payment collection etc.

In summary they are perfectly situated to act as a facilitator between potential impact investors and micro-entrepreneurs.

What do you think needs to be done in terms of market building, education and regulation to help community loan funds better service their customers?

Community loan funds work very well in Quebec where CAIC has invested over \$300,000 in 5 of these funds.

They work well because the provincial government has made a large investment in these funds as a poverty reduction strategy. Without a significant, sustained investment these funds will not flourish. The work Community Loan Funds do is not easy. If they are going to reach out to the marginalized then they will need the resources to do this; to support micro-entrepreneurs as they struggle to get their businesses off the ground.

A member-based umbrella organization has also formed. This is key as it provides its members support, norms, a “best practice” clearing house and shared resources and - yes even does investigations if regulations are not being followed.



Join us on Tuesday, December 3rd, 2013

for

AGM 2013



BLESSING THE FUTURE

at the Centre for Social Innovation Regent Park

585 Dundas St. East, 3rd Floor

9:00 a.m. — 3:30 p.m.

We have much to celebrate! 2014 marks CAIC's 30th anniversary of supporting social change & community economic development in Canada.

Please join us as we envision what the next 30 years will look like!

Look for your Delegate/Information Package in early November!

OUR PROJECTS

Peterborough Poverty Reduction Network (PPRN) (Peterborough, ON) -

We have often said in the past that the best projects come via our members. “The Mount” (the former Motherhouse of the Srs. of St.

Joseph in Peterborough) is such a case. Originally sold to a Calgary developer it recently came on the market again. PPRN is a broad-based (60 member) community organization established to develop and coordinate efforts to reduce poverty in the Peterborough area.

PPRN with the support of the Srs. of St. Joseph (Peterborough) and a vendor-take back mortgage still needed additional financing to purchase the property in order to redevelop the site as a housing and service hub in Peterborough. The Sisters suggested that they approach CAIC. The CAIC board approved a 2nd mortgage (\$620,000) at our meeting in June (2013) and funds were advanced in July. Beth Coates and Valerie Lemieux attended the “We Did It” celebration in early August and had the opportunity to tour the building and hear the excitement and enthusiasm firsthand of all involved as they plan for the

transformation of the space for use by the people of Peterborough.

The Gathering Place (St. John’s, NL) -

This is another project that came to us via our members—in this case The Gathering Place is a joint project of the Presentation sisters and the Sisters of Mercy that provides “a caring and nurturing environment with a spectrum of services including a noon meal... a social program with a clothing supply boutique... professional services in health care, housing and social work in partnership with other groups” in St. John’s Newfoundland. Although local churches, businesses, civic groups and individuals have contributed to the operation’s success these two religious communities remain the project’s primary supporters. In order to enhance and expand programs and services to meet the complex physical, mental or social difficulties of their “guests” a \$5M renovation project has been undertaken. The Gathering Place approached CAIC for a \$500,000 construction bridge-financing loan until the capital campaign is completed and the balance of other contributions are received.

The loan was approved and funds were advanced in June 2013.

Loan Renewals

Dufferin Grove Housing Cooperative (Toronto, ON) -

This housing cooperative owns 10 properties (62 units—of which 27 are affordable and rent geared to income) in the Parkdale neighbourhood of Toronto. In 2007 they came to CAIC for a loan of \$125,000 in order to repair extensive water damage and the resulting toxic mould. In the past five years the co-op has turned things around and managed to build up a surplus. As a result they paid off \$24,000 and asked that CAIC renew the remaining \$72,000 for five years. The board was happy to accommodate their request.

Committee on Family Violence (Cornerbrook, NL) -

A \$55,000 mortgage was extended in 2008 in order for the Committee on Family Violence (CFV) to purchase a property in Cornerbrook which could provide 2 units of transitional housing. CFV has been an exemplary borrower therefore the board was pleased to renew the mortgage for 10 years with a reduction in the interest rate as requested.



“The Mount”, Peterborough, ON



The Gathering Place—St. John’s NL



Dufferin Grove Housing Coop—Toronto, ON