

Mapping Financing Opportunities and Experience Among Community Organizations in Newfoundland and Labrador

FINANCIAL RESILIENCY SURVEY REPORT

MARCH
2024



COMMUNITY FOUNDATION OF
NEWFOUNDLAND AND LABRADOR



LAND ACKNOWLEDGEMENT

We respectfully acknowledge the territory in which we gather as the ancestral homelands of the Beothuk, and the island of Newfoundland as the ancestral homelands of the Mi'kmaq and Beothuk. We would also like to recognize the Inuit of Nunatsiavut, the Inuit of NunatuKavut and the Innu of Nitassinan and their ancestors as the original people of Labrador. We strive for respectful relationships with all the peoples of this province as we search for collective healing and true reconciliation and honour this beautiful land together.

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Canada 

 **Investment
Readiness**
Program

 **Canadian
CED Network**
Réseau canadien
de DÉC

SPECIAL ACKNOWLEDGMENT

We extend our heartfelt gratitude to all the participants and stakeholders who played a pivotal role in contributing to the success of this project. In particular, we express our appreciation to each participant who took the time to share their experiences, opinions, and expertise. Your valuable insights and perspectives have been instrumental in shaping the depth and richness of our findings, and they are foundational to imagining new pathways together.

We would also like to recognize the invaluable effect that this project has had on strengthening the partnership among the Community Sector Council of NL (CSCNL), the Centre for Social Enterprise (CSE), Propel Impact, and the Community Foundation of NL (CFNL). This research has shifted from an isolated project to a collective journey toward the advancement of the social innovation ecosystem in the province.

Finally, we want to thank the partners' individual team members who made this project possible: Catherine Itheme, Yiyin Liu, Diana Franco, Mariana Jiménez Ojeda, and Christine Snow from CSCNL; Gillian Morrissey, Alyssa King, and Sarah Croft from CSE; Cheralyn Chok from Propel Impact; and Nicole Dawe from CFNL.



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The impetus to conduct this survey started with anecdotes and conversations: we heard from community and social purpose organizations (SPOs) across Newfoundland and Labrador myriad challenges with financial stability and viability.

The current state of social finance in Newfoundland and Labrador is underdeveloped. A comprehensive literature review of social finance activities across Canada revealed a notable dearth of solutions within the province. Nevertheless, having issued the survey and analyzed its findings, we are inspired by the resilience of Newfoundland and Labrador-based organizations in the face of limited access to social finance opportunities.

The survey results indicate that organizations historically and currently rely on government grants, contracts, and philanthropic funding. With the launch of the federal Social Finance Fund, leaders have expressed an interest in attracting impact investment and private capital. The findings below offer insight into how social purpose organizations across Newfoundland and Labrador can engage with social finance, and the potential that appropriate capital will lend to the growth of the province.



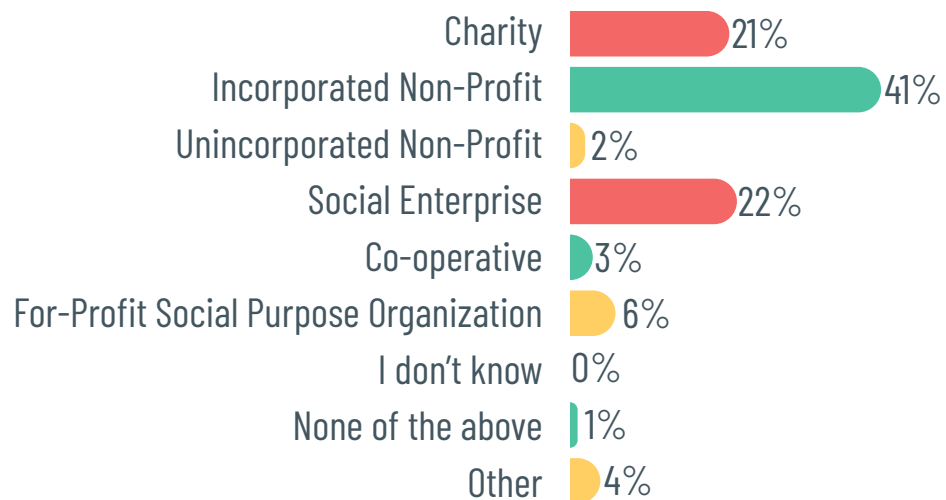


ORGANIZATIONS

PARTICIPATING ORGANIZATIONS

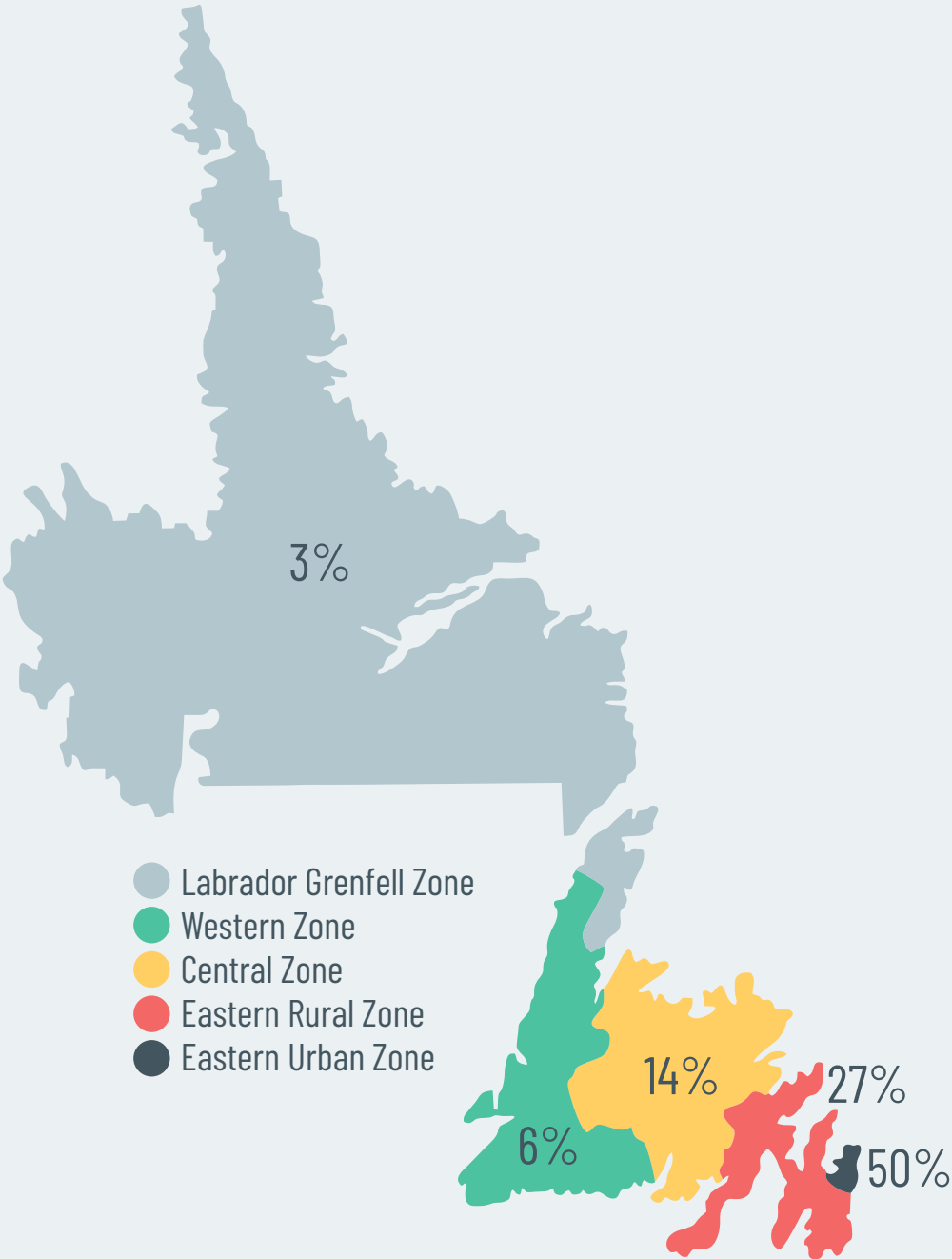
Survey participants represented various social purpose organizations that actively engage or have the desire to engage in revenue diversification activities and actively are or might be interested in accessing social finance as a mechanism to pursue financial stability.

How would you classify your community organization? (N=66)



One of the first challenges of the sector is the self-identification of organizations as a social purpose organization. From the 66 respondents, 28 (42%) classified their organization as more than one organizational type, and 20 of them self-identified as a Social Enterprise (30%). 41% of survey respondents reported being a non-profit organization. 22% of participating organizations reported being a social enterprise, slightly exceeding the 21% of respondents who are registered as a charity. Additionally, a small percentage of participating organizations identified as being a for-profit social purpose organization, co-operative, informal non-profit, or other.

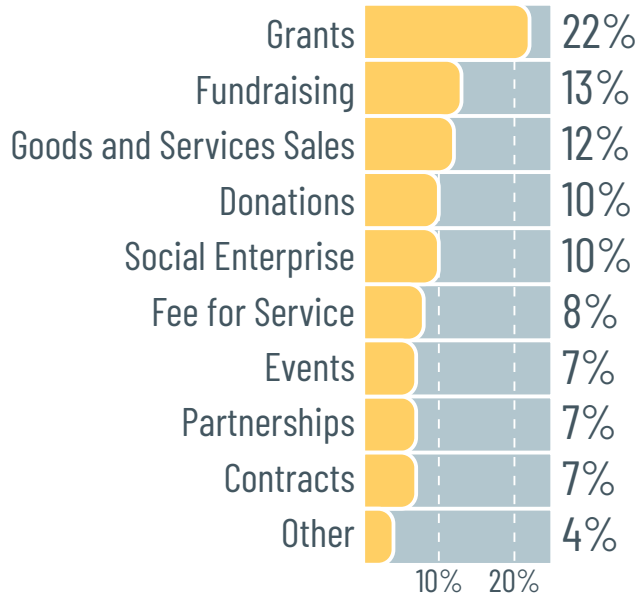
Half of participating organizations are located in the Eastern-Urban zone of Newfoundland and Labrador, and approximately one-quarter of participating organizations are located in the Eastern-Rural zone. The remaining quarter of participating organizations are located in the Central, Western, and Labrador-Grenfell zones of Newfoundland and Labrador combined.



* The regions were described according to the NL Health Services.

ORGANIZATIONAL REVENUE

What are your organization's primary sources of revenue? (N=66)



Survey respondents highlighted grants as their primary revenue source.

Other significant primary sources reported include:

- Fundraising
- Earned revenue from the sale of goods and/or services
- Donations
- Social enterprise

A small number of participating organizations reported that the primary sources of revenue for their organizations are interests on small business loans or personal loans, and other forms of government funding including core funding and one-time grants.

The majority of responding organizations (53%) reported annual revenues in the range of \$0 - \$200,000, and 14% of the organizations reported an annual revenue of over \$1,000,000.

Some organizations reported that revenue is highly variable from year to year as it is impacted by grant funding and projects.



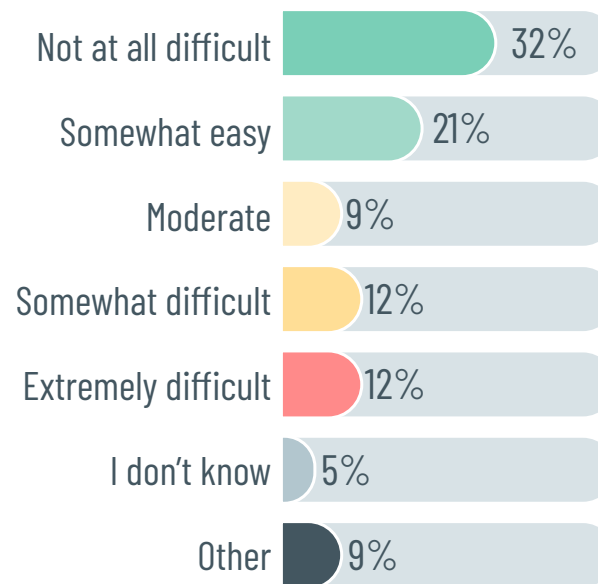
FINANCIAL OBLIGATIONS AND ORGANIZATIONAL DEBT

68% of survey respondents indicated that their organizations never have, and currently do not hold any debt or significant financial obligations. About one quarter of respondents have previously held or currently hold debt or another form of significant financial obligation.

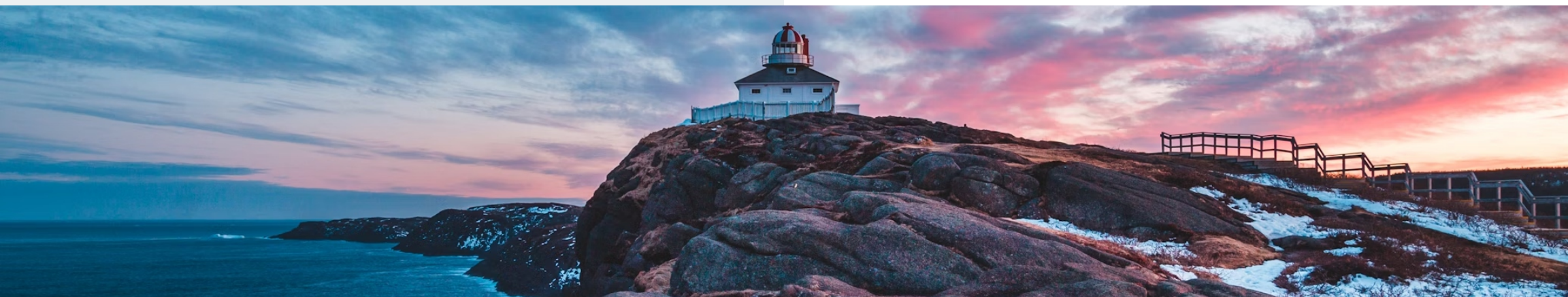
18% of respondents have held or currently hold debt in the form of a line of credit, equal to 18% of respondents holding debt in the form of a non-residential mortgage. The third most common form of debt is through holding a company credit card, represented by 14% of participating organizations. A small number of respondents (7%) indicated that their organizations hold material/equipment leases. Additionally, some organizations reported that they hold debt from Community Business Development Corporation (CBDC), Regional Relief and Recovery Fund (RRRF), Canada Emergency Response Benefit (CERB), Canada Emergency Business Account (CEBA), a “director loan”, and an interest-free loan.

From the organizations that indicated that they have or currently hold debt, the majority of respondents (65%) reported that organizational debt is in the range of \$0-\$50,000, while 23% hold debt over \$100,000.

How difficult is it for your organization to repay its debt? (N=66)



About one quarter of survey respondents reported an optimistic view of repaying debt, reporting that their organizations find repaying debt “not at all difficult” or “somewhat easy”. In contrast, less than one fifth of respondents reported that it is “somewhat difficult” or “extremely difficult” to repay organizational debt.



ORGANIZATIONAL NEEDS

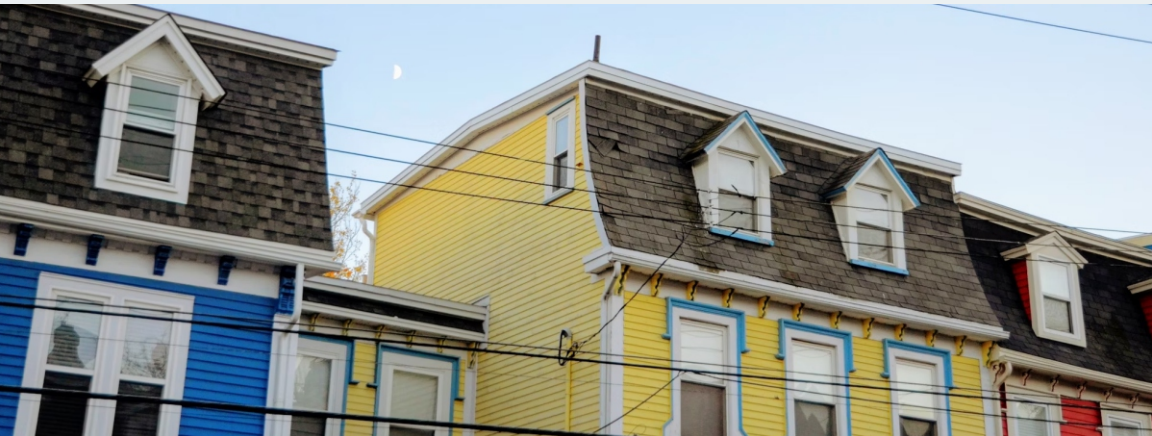
FINANCIAL NEEDS

37% of respondents reported that accessing grant funding was their most pressing financial need. 27% indicated budgeting and forecasting revenues and expenses as their priority.

Some survey respondents believe that all financial needs are equally pressing for their organization, with one respondent stating:

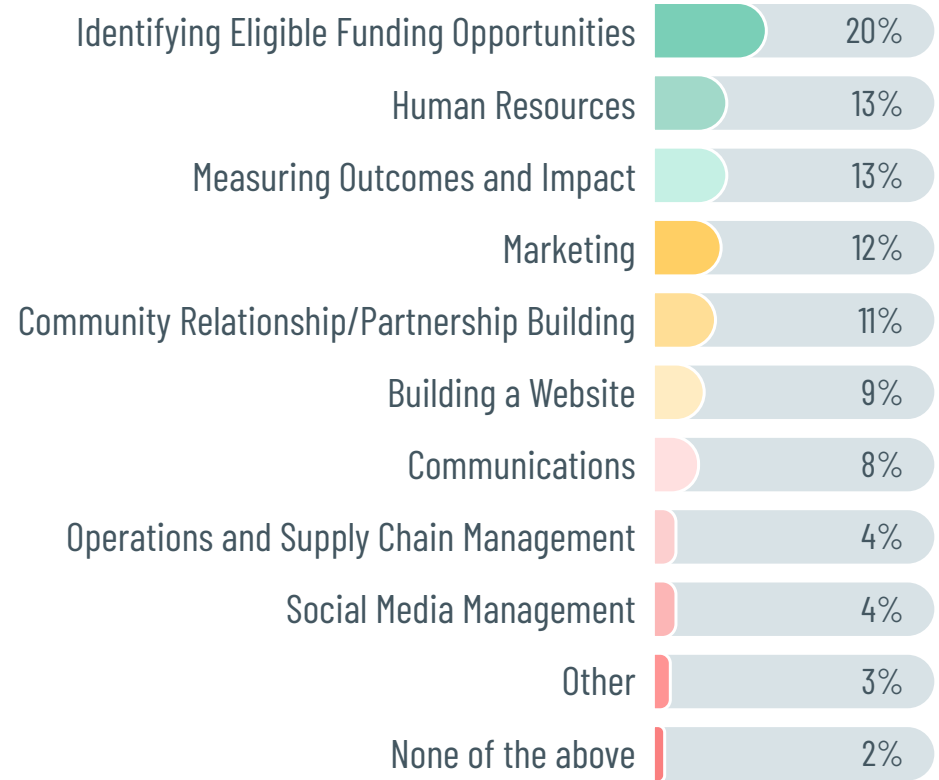
“...the mission activity of our non-profit organization is considered high risk, so grant funding is difficult or nonexistent. Accepting some grants would cause mission drift or reduce capacity to meet our mission. Finding just the right sweet spot is the challenge.”

Some respondents reported that their organizations feel the most pressure in trying to obtain sustainable funding, such as multi-year funding, or in exploring diversified finance strategies, such as selling services or growing their loan portfolio. Other sources of significant pressure reported are related to increasing wages and keeping up with the cost of living and inflation.



ADDITIONAL NEEDS

What are the three other most pressing needs of your organization? (N=66)



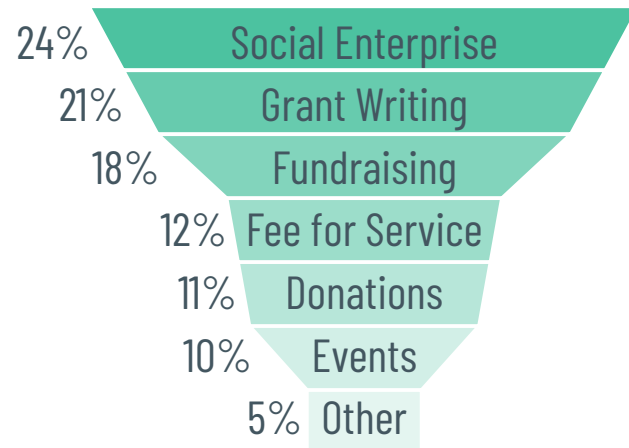
Within the “other” option, respondents also reported needs in functional areas (such as accounting, bookkeeping, and creating human resource and safety manuals), and skilled and stable staff to help secure additional funding and relieve operational pressures within the organization.



REVENUE DIVERSIFICATION

77% of respondents indicate that their organizations have an interest in exploring revenue diversification.

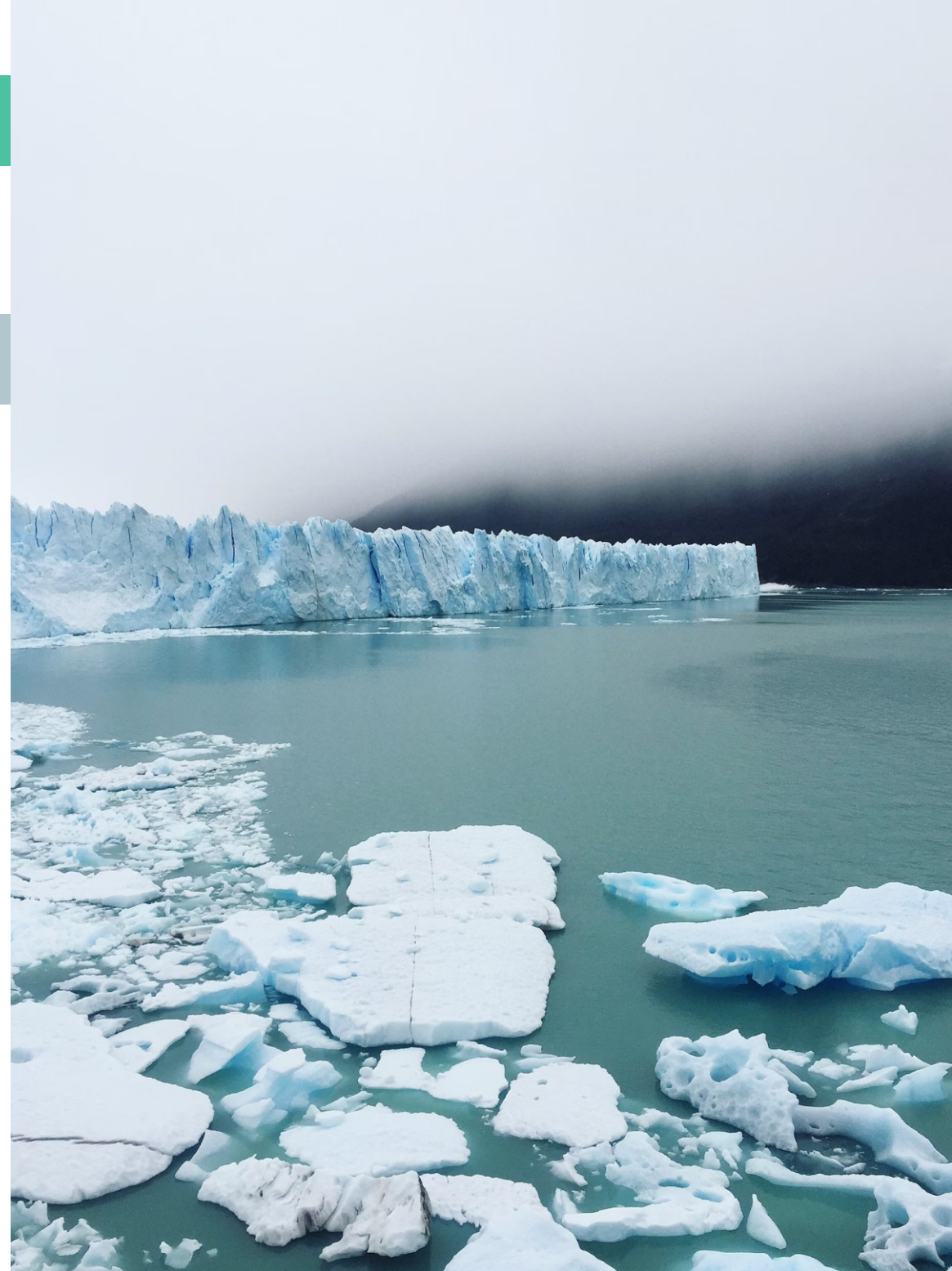
What specific areas would you like to learn more about? (N=66)



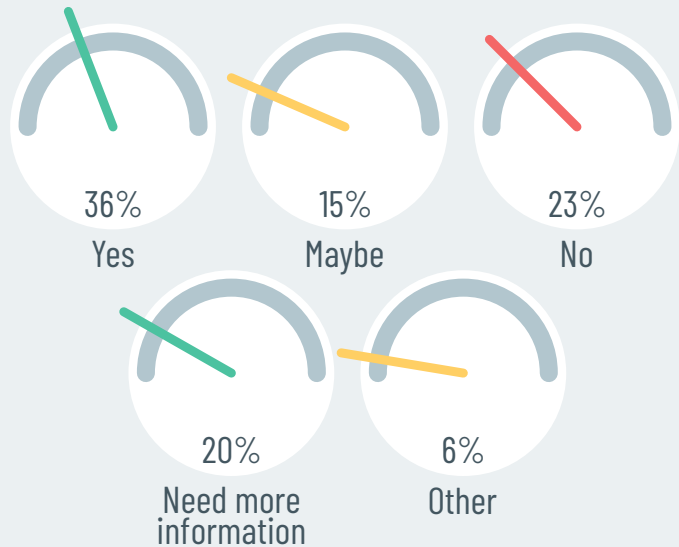
Almost half of participating organizations (45%) expressed that their organization is interested in exploring earned revenue strategies, including social enterprise (23%), fee-for-service (12%), and events (10%).

SUCCESSION TSUNAMI & EXPLORING SMALL BUSINESS ACQUISITION

50% of respondents are aware of the "succession tsunami", defined as the significant numbers of small business owners looking to retire and exit their business.



Would your organization be interested in exploring the idea of acquiring a small business to enhance income generation, diversify revenue stream and potentially ensure a small business remains in the community after the owner's exit? (N=66)



The majority of the respondents saw potential in acquiring a business as a revenue diversification strategy. 36% of participating organizations expressed an interest in exploring the acquisition of a small business to enhance income generation, 35% would consider it (with 20% indicating they would require more information and 15% responding maybe).

23% of organizations reported having no interest in exploring this topic, while "Other" respondents expressed interest in acquiring a small business, but only if the small business aligns with the mission, vision and values of their existing organization. Others reported having constraints that would make it difficult to acquire a small business, such as a lack of human resources.

One respondent highlighted:

"We're a not-for-profit and registered charity. We don't have owners. Our tsunami is the issue of aging directors and the lack of interest in anyone under 60 wanting to be a volunteer. We do have an interest in how we can diversify our existing product line to enhance revenues."

SUPPORT OF A STRUCTURED PROGRAM IN ACQUIRING SMALL BUSINESSES

Over half of survey respondents reported that a structured program could be highly likely or likely to guide their board members and organization through acquiring a small business and help make small business acquisition a viable option.

FACTORS THAT INCREASE THE VIABILITY OF SOCIAL ENTERPRISE ACQUISITION

Some respondents state that their organizations need to identify industry-specific requirements and recruit more professional full-time skilled workers to assist in handling this process, providing continuous guidance and support.

Other respondents expressed needs such as:

- "[The need] to support entrepreneurship and changes to the business model, understanding the viability of revenue generation."
- Funding and various financing options to ensure the cost-effectiveness of acquiring a business through social enterprise acquisition.
- Seed funding to support the development of a social enterprise.
- Business models that are "very closely tied to our mandate and appear risk-free to our board."

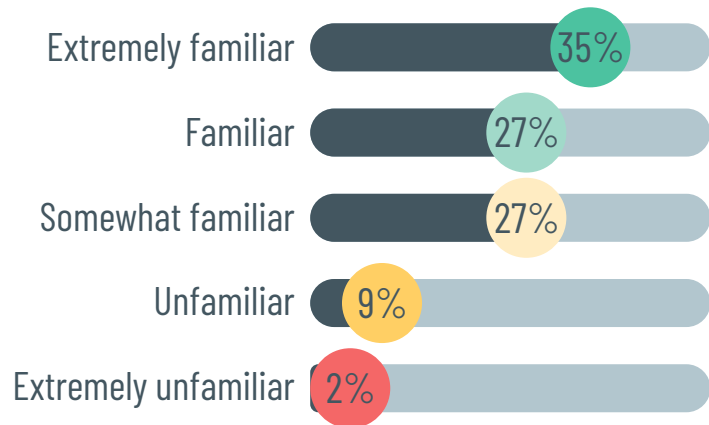


SOCIAL ENTERPRISE

The Government of Canada defines a social enterprise as an innovative business model, that can be not-for-profit or for-profit, that pursues a social, cultural or environmental mission through the sale of goods or services, with the majority of net profits directed back to its mission. These activities differentiates social enterprises from traditional for-profit businesses which hold profit maximization at its core.

ORGANIZATIONAL FAMILIARITY WITH SOCIAL ENTERPRISE

How familiar is your organization with social enterprise? (N=66)



EXPLORING SOCIAL ENTERPRISE MODELS

77% of respondents indicate that their organizations have an interest in exploring revenue diversification. 62% of respondents indicate that their organization currently generates revenue through social enterprising activities. 56% of respondents expressed interest in knowing more about social enterprise.

61% of respondents state that their organizations have not participated in any programs that have helped them grow through social enterprise activities.

Among respondents who have participated in such programs, programs mentioned include the Memorial University Centre for Social Enterprise Social Ventures Incubator and the Investment Readiness Program. Additionally, some organizations reported to have enhanced their social enterprise activities by participating in programs or programming led by various organizations, including:

- Career Launcher Impact Internships
- Thriving Nonprofits
- Social Enterprise Researchers
- National Association of Friendship Centres Social Economy Program
- Community Business Development Banks
- Workshops through Community Sector Council of Newfoundland and Labrador





SOCIAL FINANCE

According to the Government of Canada, social finance refers to the practice of making investments to create a measurable social, cultural or environmental impact as well as generate financial returns. Social finance is unique in comparison to traditional finance because it offers an approach to solving societal problems while simultaneously creating economic value. Social finance loans, specifically, give social enterprises the funding required to make an impact while delivering to investors a measurable social return along with traditional financial returns on their investment.

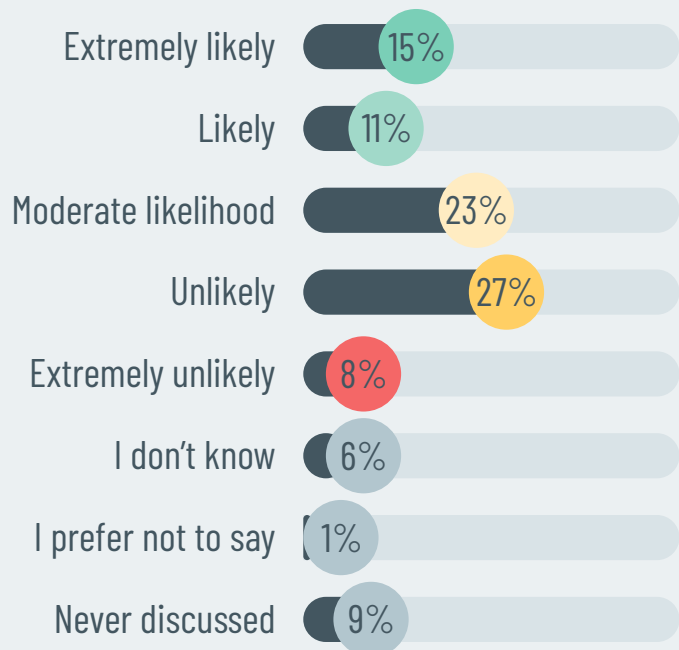
ORGANIZATIONAL EXPERIENCE WITH SOCIAL FINANCE

Less than half (35%) of participating organizations have experience in social finance programs and offerings, including but not limited to Community Business Development Corporation (CBDC) social enterprise loans, the Investment Readiness Program (IRP), community bonds, and impact investment.

ORGANIZATIONAL USE OF REPAYABLE LOANS

At least 58% of organizations would consider taking out a repayable loan. See the next chart for further details.

How likely would your organization be to take out a repayable loan if it allowed your organization to meet existing and anticipated future demand for services? (N=66)



BARRIERS TO SEEKING SOCIAL FINANCE

35% of respondents reported that their organizations have never sought social finance.

21% of respondents expressed that they do not think their organizations would face any barriers in seeking social finance.

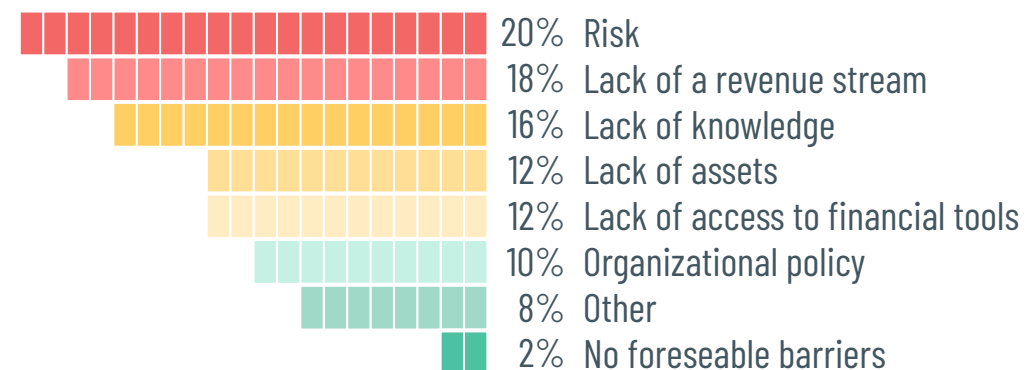
20% of respondents believe their organizations might encounter barriers when seeking social finance. Some respondents mention that it is challenging for them to secure social finance due to being newly established.

For example, one respondent stated:

“Yes, [I do believe we would face barriers in seeking social finance] where we are new and the first [organization of our kind], even social impact investors are nervous to invest in our organization.”

CONSIDERATIONS WHEN SEEKING SOCIAL FINANCE

What are some of the factors that would impact your organization in considering seeking social finance? (N=66)



The highest percentage of survey respondents consider the impact of risks as a factor for their organizations when considering seeking social finance, followed by concerns about a lack of revenue stream.

Some organizations reported difficulties in seeking social finance, such as a shortage of team members and concerns about the ability of the board and members to manage risks.

Community organizations are groups of individuals who come together to address common concerns, promote shared interests, and work collectively to improve the well-being of a specific community or a broader population. These organizations can take various forms, structures, and sizes, and they play a crucial role in fostering community development, social change, and civic engagement. In this context, community organizations can also be referred to as **Social Purpose Organizations (SPOs)**.

A **Company Credit Card** is a financial tool issued by a financial institution to a business /nonprofit entity for the purpose of making purchases, covering expenses, and managing the company's finances. It is different from a personal credit card in that it is specifically tied to the business/non-profit and is intended for business-related transactions.

Debt refers to the obligation of one party to repay money or resources borrowed from another party. It is a common financial concept and can take various forms, such as loans, bonds, mortgages, or credit arrangements.

Donations refer to the act of giving money, goods, services, or other resources voluntarily and without expecting anything in return. Donations are commonly made to support charitable causes, nonprofit organizations, religious institutions, educational institutions, and various other initiatives.

In the context of nonprofit organizations, the term "**Equity Investment**" is a bit different from the conventional understanding in for-profit businesses. Nonprofits don't have shareholders in the same way that publicly traded companies do, and there are no dividends or capital gains distributed to individuals. Instead, equity in a nonprofit refers to the residual interest in the organization's assets after deducting liabilities.

Financial obligations refer to a commitment or responsibility to fulfill a monetary commitment or duty. This can encompass various types of financial commitments that individuals, non-profits, businesses, or governments may incur. Financial obligations can take different forms, and can include loan repayments, credit card payments, rent or mortgage payments, utility bills, insurance premiums, tax payments and employee salaries and benefits.

Financial resilience refers to the ability of an organization to withstand and recover from financial shocks, uncertainties, or adversities. It involves the capacity to adapt and navigate through economic challenges, unexpected expenses, or disruptions without experiencing significant negative consequences. It is a dynamic concept, as it involves not only preparing for potential challenges but also adapting to changing economic conditions. It emphasizes the ability to recover, learn from experiences, and proactively manage financial well-being in the face of uncertainties.



Financial stability refers to the financial well-being and security of organizations. Achieving and maintaining financial stability is a key goal for both individual entities and the overall economy.

Financial viability refers to the ability of an organization to maintain and sustain its financial health over the long term. It involves having the financial resources, stability, and strategies necessary to meet current obligations, withstand economic challenges, and achieve long-term financial goals. Financial viability is crucial for the continued operation, growth, and success of an organization.

Fundraising is the process of soliciting and collecting money or other resources to support a specific cause, organization, project, or event.

Grant writing is the process of preparing and submitting a proposal or application to secure funding from a grant-making organization.

Grants are funds provided by governments, organizations, or individuals to support specific activities, projects, or initiatives. These funds are typically awarded based on a competitive application process and are intended to help recipients achieve specific goals or objectives.

Incorporated non-profits in NL are registered according to the NL Corporations Act as a business without share capital and are listed under the Registry of Companies and Deeds (CADO), Government of NL. **Charities** are registered with the Canada Revenue Agency. An organization can be either an incorporated non-profit, a registered charity or both. An **unincorporated non-profit** is sometimes called an informal non-profit and often referred to as a committee. It is not registered under the NL Corporations Act.

A **Line of Credit (LOC)** is a flexible financial arrangement that allows individuals/ businesses/nonprofits to borrow and repay funds as needed, up to a predetermined credit limit. It is a form of revolving credit, similar to a credit card, but it often comes with lower interest rates and more flexible repayment terms.

A **Term Loan** is a type of loan that is repaid over a set period, or term, which can range from a few months to several years. This form of financing involves borrowing a lump sum of money from a financial institution or lender, and the borrower is obligated to make regular payments, typically monthly, until the loan is fully repaid.

Trade credit is a type of credit arrangement between businesses that allows a buyer to purchase goods or services on account, meaning the buyer receives the products or services upfront and agrees to pay the seller at a later date. It is a common form of short-term financing used in business-to-business transactions.





Community Sector Council of NL
socialinnovationlab@cscnl.ca
cscnl.ca



Centre for Social Enterprise
socialenterprise@mun.ca
mun.ca/social-enterprise



Propel Impact
info@propelimpact.com
propelimpact.com



Community Foundation of NL
info@cfnl.ca
cfnl.ca