

Re-Imagining Impact:

SOCIAL IMPACT INVESTING

What is Social Impact Investing?

Social Impact investing (“impact investing”) is defined as making investments to generate both financial and social/environmental returns (“social returns”). Impact investing is differentiated from traditional investing by intentionality and impact measurement; social returns must not only be actively intended through investments but are also generally measured, quantified, and regularly reported on.

Impact investing is a relatively new type of investing and impact making. While some organizations (particularly faith-based entities) have been naturally doing impact investing for decades, the broader market movement of impact investing only emerged 10 years ago and has since grown. In the last several years, an increasingly robust impact investing market has emerged in Canada, with key stakeholders ranging from federal and provincial government leaders, impact investors including foundations and high-net-worth individuals, and social organizations that harness impact investment capital to fuel more activities and impact.



96.5% of a Canadian foundation’s assets are invested in traditional investments, and not making any intentional social impact.

Why is it important to us?

Impact investing is a complementary tool that all foundations can use alongside grants to create more social impact in their communities.

Foundations exist to improve communities. In order to make social impact, foundations must ensure that they keep their assets “evergreen” so that the foundation itself can survive and continue its work. Today, Canadian foundations are required by law to disburse a minimum of 3.5% of their assets as grants to help their communities. This minimum requirement has more or less guided the actual amount of grants made by foundations each year. Toronto Foundation has made significant impact in Toronto’s community, using its grants to tackle issues ranging from poverty to social isolation to the arts and the environment.

But imagine if Toronto Foundation could use more of its assets to make even more impact in Toronto while ensuring the Foundation’s financial sustainability at the same time. Today, 96.5% — the vast majority — of a Canadian foundation’s assets are invested in traditional investments, which generate a financial return to help replenish its assets and keep it alive. This means that for most Canadian foundations, the bulk of their assets are currently not being harnessed to make any kind of intentional social impact. This represents a major opportunity for foundations to create net new impact in Canada.

Impact investing is a tool that enables foundations to both help replenish the Foundation’s assets and make social impact in communities at the same time.

Our progress to date

In 2016, Toronto Foundation publicly announced its commitment to impact investing by creating a \$6M pilot for impact investments. The Foundation has been actively working with the MaRS Centre for Impact Investing to develop its impact investment strategy and to identify and analyze impact investment opportunities. As at March 31, 2017, the Toronto Foundation has approved two impact investments totaling \$2.5M: a \$1.5M secured loan into phase 1 of Habitat for Humanity GTA's Pinery Trail project (the largest Toronto-based build to-date, consisting of 50 townhouse-units (pictured)); and, a \$1M secured loan into Artscape Launchpad Inc.'s project to develop a co-working facility that also serves as an incubator and entrepreneurial centre for art and design professionals in Toronto. Habitat for Humanity GTA will quantify and report on the impact of home ownership on the financial and overall well-being of new homeowner families, and Artscape Launchpad Inc. will quantify and report on the impact of the innovative co-working space on the financial well-being of Toronto's arts community.

At its 2017 annual general meeting, Toronto Foundation created a standing committee of the Board dedicated to impact investing at the Foundation. We are now in the process of designing an impact investment strategy beyond the pilot portfolio.



DID YOU KNOW?

Canada's National Advisory Board to the Global Social Impact Investment Steering Group (GSG) recommends that all foundations (public and private) invest a minimum 10% of their assets in impact investments by 2020.

In 2016/17, Toronto Foundation approved 2 social impact investments totalling \$2.5M.