

Investment Readiness Program

Glossary

Charity

A charity is a nonprofit organization that uses its resources for charitable activities that benefit the community, such as poverty relief, the advancement of education or other types of social, cultural or environmental causes. Charities must be registered with the Canada Revenue Agency to issue official donation receipts and be tax-exempt. All charities are nonprofit organizations, but not all nonprofit organizations are charities.

Co-op

A co-op is a cooperative society, business, or enterprise, owned and operated by and for the benefit of its members. Co-ops address a community's unmet needs and can change accordingly. They help promote the interests of those who can accomplish more collectively than they could individually.

Due Diligence

An in-depth process of evaluating a potential investment, including the careful confirmation of all critical assumptions and facts presented by a potential investee. This involves assessing the feasibility of financial and social goals and the capacity of the organization to achieve them.

Investment Readiness Continuum

There are many stages along the path to becoming investment-ready. The continuum begins with getting started, under way, establishing, and ready to receive investment. See the chart at the end of this document for more details.

Nonprofit

A nonprofit is an organization that seeks to advance a social goal or shared stance on issues and does not earn profits, and reinvests all of its revenue back into itself to continue carrying out its mission. Nonprofits are tax-exempt.

Social enterprise

A social enterprise is an organization or program that is driven by a public benefit mission, and sells goods or services to earn a revenue, while also helping achieve its positive social, cultural or environmental objectives.

Social enterprise business

Here the social enterprise is in the form of a for profit business with the difference that the profits are being used to sustain the mission of helping to achieve positive social, cultural or environmental objectives. To be classified as a social enterprise for IRP, a majority of the business' profits must go back into their social, cultural or environmental mission.

Social finance

Social finance is an investment that has a positive social, cultural or environmental impact that also generates some return for investors. Social finance could potentially provide a new source of income for charities who typically rely on more traditional sources of income, such as grants and donations.

Types of investments can include:

- Loans - investors get their money back plus interest;
- Equity investments - investors own part of the organization - earn their money on dividends or when they sell their share;
- Community bonds - many people loan small amounts to one project;
- Social impact bonds - investors are paid if certain outcomes are achieved;
- Community driven outcomes contracts - multiple outcomes defined by the community; investors are paid if the outcomes are achieved.



Social innovation

Developing and applying new solutions to pressing social, cultural and environmental concerns.

Social purpose organization

A social purpose organization can be a charity, non-profit, co-operative, or social enterprise business. In all cases, a social purpose organization is advancing a social, cultural or environmental mission.



This chart explains each step of the Investment Readiness Continuum in greater detail.

Social-purpose investment readiness capacity	Stage 1: Getting started	Stage 2: Under way	Stage 3: Establishing	Stage 4: Ready
Social finance awareness : Understanding of the social finance market and its suitability to the proposed project	Not aware of social finance market	Limited awareness and uncertain about project suitability	Reasonable awareness and exploring suitable SF options	Sound awareness and identified suitable SF options
Business model/plan development : Includes Feasibility and viability considerations such as market analysis, strategy, operations, Financial plan/ model, legal, technical, risk analysis etc.	Have a business idea/ concept that has to be developed into holistic model	Under development with need for more understanding of certain or all aspects/ considerations	Initial draft model with financial projection and outline of all considerations	Complete business model and communicable financial plan including risks and mitigation strategies
Organizational ability : Includes the right corporate (legal) and organizational structure, governance, people/skills required for project implementation	Have to identify the right structures and skill requirements	Have identified some of the elements but require thought and action on other aspects	Have identified each of the elements and progressing towards these requirements	Most suitable structures and skill requirements are in place
Impact measurement & reporting : Stage of impact measurement and reporting plan - intended change, impact metrics, data collection, dashboard for analysis and decision-making, and reporting.	Looking to create an impact measurement plan	Initial thinking for some or all of the elements	Draft plan for some or all of the elements	Clear plan for measurement and reporting Impact
Network development : Includes identifying a list of investors, understanding investor priorities and their alignment with project goals, building personal rapport with investors, developing knowledge of investor parlance and ability to communicate business model meeting all investor pitch requirements	Looking to raise capital from relevant sources but need to deepen understanding of some or all aspects that influence capital commitment	Developed reasonable understanding of investor expectations in a business plan/pitch. In the process of identifying/ shortlisting investor pools that could be suitable for the proposed project	Identified various investor pools - trying to understand their priorities and level of alignment with project goals - working towards building relationships	Have shortlisted relevant investors and developed relationship with some or all of the potential sources along with an understanding of their priorities. Confident of communicating business model effectively and have confidence to close a deal

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