



Toronto Foundation's Social Impact Investment Open Call for Proposals - QUESTIONS AND ANSWERS

For all questions received to January 25, 2019

Open call process

1. For the Questions due, and intent to apply, are those done through e-mail? And if yes, are we supposed to do them in a specific way?

ANSWER:

- Please direct all questions to Jaymin Kim at jkim@marsdd.com with subject line "Question: Toronto Foundation Social Impact Investment" by 5pm on Friday January 25, 2019. Answers to all questions received will be posted on Toronto Foundation's website by Wednesday January 30, 2019 (per pg. 3 of Guidelines)
- Please send all intents to apply by email declaring your intention to submit an application to Jaymin Kim at jkim@marsdd.com by 5pm on Friday, January 25, 2019 (per pg. 2 of Guidelines)

2. I didn't want to miss the deadline, is there an actual application to fill out now?

ANSWER:

- Yes, the Application Form, together with the related Guidelines is posted on Toronto Foundation's website

3. a) Can we make 2 submissions?

b) Can more than one proposal be submitted?

c) Are applicants able to suggest various funding opportunities? If so, do we submit one idea per application, or may we submit all opportunities within one application? If so, should we rank our preferences?

ANSWER:

- Yes, an applicant can submit more than one application
- Different investment opportunities should be in different applications
- While you may articulate your preference, Toronto Foundation will base its decision solely on its evaluation

4. Is there a preferred format for the proposals in addition to what has already been required?

ANSWER:

- Yes. Please use Application Form posted on Toronto Foundation's website

5. Is there an advisor available at the Toronto Foundation to give feedback on the proposal prior to submission?

ANSWER:

- No. Toronto Foundation is conducting a formal open call. To be fair to all, Toronto Foundation is publicly posting its responses to all the questions received



Use of requested funds criterion

6. The application form implies that you are not investing in working capital. The strict definition of working capital does not include salaries - is this the definition that you are using as well? In other words, can your investment be used for salaries in order to grow?

ANSWER:

- Salaries that are expenditures related directly to the proposed investment can be funded

7. a) Is there a list of ineligible expenses for use of the funds, and are there expenses that the Foundation favours over others?

- b) Are there particular investments or expenditures that would not qualify?

ANSWER:

- There are no specific ineligible expenses
- Toronto Foundation will not fund working capital
- As a social impact investment, the funds are expected to be used to both provide positive social impact and a financial return

Terms of social impact investment

8. Is this investment in the form of a grant or a loan?

ANSWER:

- This call for proposals is for investment opportunities, not for grants
- The opportunity is investments for Ontario-based organizations that generate impact directly accruing to Ontarians. Also known as social finance or impact investing, these investments are designed to generate both a positive social impact and a financial return

9. Is the intent that the investment amount fronted to the recipient organizations to be paid back? If so, in what time frame is that return expected?

ANSWER

- Yes, the investment must be paid back
- The terms are to be defined by each applicant (per pg. 3 of Application)
- The repayment terms for Toronto Foundation's debt investments are generally 5 years or less

10. Is \$250,000 the minimum of investments that you will be doing or will smaller amounts also be eligible?

ANSWER:

- Toronto Foundation provides social impact investments generally ranging from \$250,000 to \$1,000,000 (per pg. 1 of Guidelines)
- The minimum has been \$250,000 due to the level of due diligence efforts required for each impact investment made. However, in circumstances of exceptional social impact, Toronto Foundation may consider an investment lower than \$250,000

11. Wondering what the terms are for the fund proposals? Is it debt investment? Any other specifics?

ANSWER:

- Most of Toronto Foundation's investments take the form of debt. Other types of investments also will be considered (per pg. 3 of Application)

12. How exactly does the repayment of the investment work? Would the organization have to repay back all the money? If so, what kind of time frame? Is there an interest rate?

ANSWER:

- The terms are to be defined by each applicant (per pg. 3 of Application)
- The repayment terms for Toronto Foundation's debt investments are generally 5 years or less
- Toronto Foundation generally is seeking market rate returns. There are numerous variables that are considered in establishing the specific return requirement on an investment, such as the term of the investment, the security offered, the credit quality of the organization and its track-record. Normally, the minimum return is in excess of the prime rate
- In summary, as investment repayment risk increases, so does Toronto Foundation's expected return requirement

13. I assume that by a financial return, this means a cash payback versus the money that would be saved by implementing a new project.

ANSWER:

- Correct. "Financial return" means the investment must be paid back, together with interest or other form of related investment income to Toronto Foundation

14. Is Toronto Foundation prepared to accept measurable (i.e. audit-able) social return in the community as "paying back the investment"?

ANSWER:

- No. This call for proposals is for investment opportunities, not for grants, hence the investment plus a financial return must be paid back

15. How would you weigh financial returns vs. social returns?

ANSWER:

- Both are important
- There must be a repayment model. For exceptional social returns, Toronto Foundation can reduce its financial returns

16. a) Can you provide examples of debt terms?
 b) Can you provide any examples or guidelines for favourable investment terms?
 c) Please layout min - max spectrum of financial return parameters in line with what you would expect from a charitable organization working with people with disabilities.

ANSWER:

- Thank you for this question. Additions **in green** have been made to the call for proposal Guidelines and Application form relating to this question
- The financial terms are to be defined by each applicant (see the chart on page 3 of the Application)
- Toronto Foundation generally is seeking market rate returns. There are numerous variables that are considered in establishing the specific return requirement on an investment, such as the term of the investment, the security offered, the credit quality of the organization and its track-record. Normally, the minimum return is in excess of the prime rate
- In summary, as investment repayment risk increases, so does Toronto Foundation's expected return requirement

17. a) What is the timeframe for the investments to be used?
 b) Could you please provide additional information about the maximum term length, required collateral, and interest?
 c) For an equity investment, what is the anticipated time period for this relationship?

Indefinitely?

ANSWER:

- Thank you for this question. Additions **in green** have been made to the call for proposal Guidelines and Application form relating to this question

18. Once an investment becomes "profitable", how do we share equity with investors? What are the terms?

ANSWER:

- Thank you for this question. Additions **in green** have been made to the call for proposal Guidelines and Application form relating to this question

19. What rights does an equity partner have? Is it a board seat? Is it involvement in operations?

ANSWER:

- Toronto Foundation does not expect to be actively involved in the organization, rather we would be monitoring performance through reports on progress on achieving the investment liquidation strategy and social impact
- Thank you for this question. Additions **in green** have been made to the call for proposal Guidelines and Application form relating to this question

20. How would valuation work with a non-profit since we don't have share prices?

ANSWER:

- For nonprofit organizations, investments would be in the form of a loan
- The organization's ability to repay the loan is the key financial consideration



21. Does the Foundation favour one type of funding over another (debt vs. equity)? If the funding were to be debt, does the Foundation require to be in first position for that debt? Existing bank contracts may preclude that possibility.

ANSWER:

- It is understood that bank debt normally ranks first
- Thank you for this question. Additions **in green** have been made to the call for proposal Guidelines and Application form relating to this question

Ontario-based criterion

22. Does a company headquartered in Ontario with its legal entity elsewhere qualify to apply?

ANSWER:

- The organization must be headquartered in Ontario and generate impact that directly accrues to Ontarians (per pg. 2 of Application)

23. One of our co-founders lives in Toronto, although, we do not have a physical presence yet, nor is the company's incorporation listed in Ontario - we could certainly add it as a registered province. Would we still qualify?

ANSWER:

- The applicant organization must be headquartered in Ontario and generate impact that directly accrues to Ontarians.

24. Are projects that have nationwide (including Ontario) impact eligible or do they need to be exclusively impacting Ontario?

ANSWER:

- Organizations that have a nationwide impact are eligible
- Applicants must be able to demonstrate that at least the invested funds generate impact that directly accrues to Ontarians. The investment may also benefit persons beyond Ontario

25. Are international projects accepted? By that, I mean projects that will drive social impact internationally, as well as in Ontario?

ANSWER:

- Organizations that have an international impact are eligible.
- Applicants must be able to demonstrate that at least the invested funds generate impact that directly accrues to Ontarians. The investment may also benefit persons beyond Ontario

26. We provide programs and services for people living ... in the Toronto area (M postal code). Are we eligible? Or does our reach need to extend to individuals across **all** of Ontario?

ANSWER:

- Yes, your work is eligible. It is not a requirement that benefit accrues to individuals across all of Ontario

27. We're a registered charity operating a related business with locations in Toronto, Peterborough and Mississauga. Would we be eligible for the Social Impact Investment initiative?

ANSWER:

- The organization must be headquartered in Ontario and generate impact that directly accrues to Ontarians (see page 2 of the Application)

28. a) Our Head office For Canada is based BC. But for Eastern Canada it is Toronto with funds received from Ontario grants and donors, going directly back into our initiatives in Ontario. Are we still eligible to apply for this investment?

b) We have a strong pipeline of investments in our pipeline that are all based in Ontario with clear social impact deliverables. Toronto Foundation investment can be completely allocated to these investments. Will there be any flexibility around the requirement for being headquartered in Ontario?

ANSWER:

- For this call for proposals, the applicant organization cannot be headquartered outside of Ontario

Legal status-based eligibility

29. Are there any restrictions on eligibility to the Social Impact Investment fund for related businesses owned and operated by CRA-registered charities?

ANSWER:

- Your organization's legal status must be one of the three outlined on page 2 of Application

30. Are charitable organizations that have non-profit and/or incorporation status eligible to apply?

ANSWER:

- Yes. See legal status requirement outlined on page 2 of Application

31. Does the business applying for micro financing have to be strictly social in purpose and/or social enterprise?

ANSWER:

- See legal status requirement outlined on page 2 of Application
- See also, "public benefit" in definition section below

Social issue eligibility

32. Are digital health companies that are addressing health and social crises within the mandate of the Toronto Foundation?

ANSWER:

- Yes, Health and Wellness is a Vital Signs issue area listed for social impact

33. Would a day program for adults with medically challenged special needs qualify for this? Special Needs adults that age out of the school system have no programs for them which leaves them very isolated detached from the community

ANSWER:

- Yes, Health and Wellness is a Vital Signs issue area listed for social impact

34. Can the business applying help a newcomer who is launching a new business (e.g. e-commerce, importing, starting a bakery)?

ANSWER:

- The Gap Between Rich and Poor and Work are Vital Signs issue areas listed for social impact

35. Can the Ontarian company from renewable energy, energy efficiency, global warming battle businesses apply for Toronto Foundation?

ANSWER:

- Yes, Environment is a Vital Signs issue area listed for social impact

36. I am not sure which category in the Impact section we best fit, we seem to straddle a few. Would there be an opportunity to chat with someone to determine where we would best fit?

ANSWER:

- Applicants may indicate multiple social impact areas (see page 4 of the Application for coding guidance)

Privacy

37. To what extent will the contents of the application and other materials submitted later become public or made available to a broad audience?

ANSWER:

- The actual application itself will not become public or be made available to a broad audience.
- The social impact investments (e.g. organization name, amount invested, impact generated, etc.) ultimately made by Toronto Foundation will be public information. Toronto Foundation, in partnership with MaRS Centre for Impact Investing, will document and share learnings from the social impact investments made via this call for proposals, with an aim to enhance the impact investing sector
- We expect learnings to be articulated without reference to a specific organization

Financial statements

38. Are unaudited financial statements for Not for profits acceptable?

ANSWER:

- Yes, if audited financial statements are not available

Partnerships

39. Can we submit an application in collaboration with another partner?

ANSWER:

- Yes, submitting an application with another partner is permitted

40. As a technology company and working in tandem with a not for profit corporation, who would support the social implementations of the development and implementation to commercialization, can we apply as a partnership?

ANSWER:

- Yes, submitting an application with another partner is permitted
- Each organization must meet the legal status requirements outlined on page 2 of the Application

Operational history

41. Please define "one-year of operational history"? For example, does this include the time period when the organization was in operations prior to incorporation?

ANSWER:

- The minimum one year of operational history can include time prior to the organization's incorporation. If you are including time prior to incorporation, please demonstrate clearly that the organization was operating / in business

42. We are a new organization that has a strong board and a thorough business plan, but I appreciate that we do not have a track record of success as an organization because we are in the start-up phase. Will such an organization be considered favourable based on the strengths of the business plan/team?

ANSWER:

- A minimum one year of operational history is a requirement and can include time prior to the organization's incorporation. If you are including time prior to incorporation, you must be able to demonstrate clearly that the organization was operating / in business

Full-time staff criterion

43. Is having full-time staff on the team a requirement for this funding opportunity?

ANSWER:

- For this call for proposals, having full-time team member(s) with relevant expertise on your management team is a requirement (see definitions section below)

Organizations previously funded by Toronto Foundation

44. Are organizations that Toronto Foundation has already invested in eligible to propose new/increased investment opportunities?

ANSWER:

- If an organization has previously received a grant from Toronto Foundation, the organization is still eligible for a social impact investment up to \$1M
- If an organization has previously received a social impact investment from Toronto Foundation, the sum of previous investments and the total amount requested in this call for proposals cannot exceed \$1M

Definitions

45. Please define "full-time team members"?

ANSWER:

- For this call for proposals, the definition of "full-time team member" is an individual who is directly working to support the efforts of your organization thirty to forty hours a week

46. Is a youth defined as an individual under the age of 35?

ANSWER:

- For this call for proposals, "youth" is defined as an individual between the ages of 15 years to 29 years inclusive

47. What is the definition of a public benefit?

ANSWER:

- A for-profit organization "with public benefit clearly demonstrated" is one that uses business strategies to achieve a social or environmental mission. While generating revenues from the sale of goods and services, they also expressly intend to create a positive public impact

Specific questions

48. I have found a new technology... There needs to be some extra programming... Would this be a potential contender by chance?

ANSWER:

- Please review the impact issue areas and those identified as priorities for this call for proposals found on page 4 of the Application

49. Regarding the PHASE 1 EVALUATION Basic Criteria related to Organizational Capacity – minimum one-year operational history: our company was incorporated in April 2018, however we are a spin-off from (Organization X) who has been operating for more than 50 years. Would we meet the eligibility criteria?

ANSWER:

- If the spin-off business has operated for over a year, including time it operated within Organization X, it would be eligible

50. Please send the list of investments and contact information for those investments that were awarded for the last three years.

ANSWER:

- The Toronto Foundation lists its current social impact investments previously here: <https://torontofoundation.ca/social-impact-investing/>
- We do not share contact information, as we have not been specifically authorized

51. Other than those provided in the application, what are the quantitative and qualitative criteria used for evaluating, ranking, and selecting a proposal?

ANSWER:

- All criteria have been outlined in the Application

52. Can we add appendices to the application such as site plans, sector reports, limited sections of city planning reports, supplementary vendor agreements, client reference letters and such related documents that assist in supporting the business case?

ANSWER:

- Your application should not include that level of detail, except where you consider it essential for us to understand the investment
- That level of detail would fit in the deeper due diligence phase of the review (identified as Phase 4), and therefore is necessary at this time

53. Would you please let me know if this program will be available in future years and, if so, which years?

ANSWER:

- This is the first time Toronto Foundation is undertaking an open call for proposal for social impact investments
- We will assess this current undertaking to determine if a second call for proposal will be offered in the future