



Investing in Social Enterprise

The Next Generation of Businesses

Calvert Foundation, a 501c3 nonprofit, is an industry leader in Community Investing. Our mission is to establish Community Investment as a new asset class in the financial services industry. By raising funds and providing investments at affordable interest rates to social enterprises, Calvert Foundation channels *investments with the goal of ending poverty*. These investments serve as a bridge between disadvantaged communities and the financial markets, promoting economic justice and community development.

Calvert Foundation is now launching a new initiative to invest in social enterprises. We are currently seeking new organizations to add to our portfolio. Calvert Foundation *does not* offer grants, our focus is exclusively on providing affordable rate loans.



What types of Social Enterprises do we invest in?

Social enterprises are revenue-generating ventures that are motivated by public and social good, more than by the need for personal profit. These businesses must produce tangible social and/or environmental benefits to society. We invest in either for profit or nonprofit social enterprises that:

- **Improve the economic and social welfare** for low-income urban and rural communities in the U.S. and abroad.
- **Grow the local economy by expanding opportunity** and promoting work-related activities; provide employment opportunities to individuals on the periphery of the labor market.
- **Support diverse communities** in rural and urban settings, domestically and internationally.
- **Demonstrate a consistent track record** of repayment and the organizational management capacity to repay its investors.

The foundation has invested in a broad range of business sectors including: fair trade, youth development, job training/workforce development, independent media, education, digital divide, and healthcare.

How does an organization qualify for a loan?

Applicant organizations are first screened for financial soundness and then evaluated according to the criteria established by the Investment Committee. Investments are made to social enterprises with an explicit focus on serving low-income populations. Basic criteria are outlined in the Investment Qualifications chart, though additional criteria may apply.

Ideal candidates should also demonstrate the following:

- 1 **Strong financial condition:** Overall financial health is good, including positive net worth that exceeds the value of the loan, asset size or revenues of \$2 million or greater.
- 2 **Management:** Good, stable management team; management team known among other agencies and borrowers.
- 3 **Production track record:** Consistent history of good quality products/services, strong performance on past contracts/buyers.
- 4 **Diversified funder and revenue base:** Consistent year over year support and future commitments.

INVESTMENT STRUCTURE

Use of Funds	Working capital, receivables financing, bridge financing, plant and equipment financing, line of credit
Principal	\$250,000 to \$1,000,000, with some possibility of exceptions if guarantees or collateral are available
Term	Range from three to five years. With sound financial condition, investments are often recommended for renewal at maturity, and/or maturity can be rolled forward during term
Interest Rate	5–9%
Payments	Generally, the loan is interest-only with principal due upon maturity, or long-term amortization matched to underlying assets
Collateral	Determined on a loan-by-loan basis

INVESTMENT QUALIFICATIONS

Operating History	Minimum three years
Total Assets/Revenue	Minimum of US \$1M in assets or \$1M in revenues
Other Financial Criteria	Independently audited financial statements
	Positive net worth
	Ratio of earned revenue (excluding grants) to total expenses of at least 40%
Social Criteria	Focus on low income populations
	Business model produces tangible benefits to society; for each dollar invested there is a societal cost savings
Impact Measurement	Must collect/analyze data that measures positive social impact of the enterprise on the constituent population.

How can an organization apply for a loan?

Enterprises that meet the above criteria should complete the screening application available online at: www.calvertfoundation.org/socialenterprise/

Organizations that pass the initial screening will be invited to participate in a more intensive underwriting process. Those that join the social enterprise loan portfolio will be asked to supply quarterly and annual updates.



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