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YWCA TORONTO AND MUTTART FOUNDATION MAKE SOCIAL FINANCE DEAL

YWCA Toronto's first foray into social financing has been a success.

The Muttart Foundation, a private foundation based in Edmonton, has agreed to purchase a \$1-million community bond being issued by YWCA Toronto to support the capital cost of its new YWCA Elm Centre.

"All of this money will help as we open our new facility in downtown Toronto that will offer 300 units of safe, affordable housing to women and their children," said YWCA Toronto CEO Heather McGregor.

Social finance, sometimes called "impact investing," describes an area where investors take into account the social impact of the investment as well as financial returns. In some cases, an investor is prepared to take a lower financial return to support a social good.

From the perspective of the Muttart Foundation, the decision to purchase the YWCA community bond continues a practice it has engaged in for almost 20 years. Bob Wyatt, executive director of the foundation, said that with the purchase of the YWCA bond, about \$2 million of its investments – slightly less than 5% of its endowment – are in program-related investments.

"This is not a new field, but it is one that few have participated in," said Wyatt. He said that dating back to the early 1990s, the Foundation has provided lines of credit, loans and mortgages to some charities. Some have been provided at no interest, while others carry a less-than-market rate of interest.

The commitment to purchase YWCA Toronto's community bond recognizes the importance and innovation of the YWCA Elm Centre, the superb management and governance that exists within YWCA Toronto and a careful analysis of risk, said Wyatt.

"Our Board of Directors is impressed with what YWCA Toronto has done over its long and sterling history," said Wyatt, "and was particularly impressed by the Elm Centre initiative."

"The Directors believe that this is a prudent investment of its assets. The bond will pay a reasonable rate of interest and our assessment is that it is a relatively low-risk investment," he said.

McGregor said that the interest being paid is less than the cost of borrowing money from other sources, meaning more funds for the operation of the YWCA Elm Centre.

McGregor and Wyatt both caution that issuing bonds or otherwise taking on debt is not something that is right for every charity. “Social finance is not a silver bullet,” said Wyatt. Taking an investment like this to market, and accumulating debt that will have to be repaid, is something that requires a great deal of work by a charity.

“Our Board of Directors considered this matter at length,” said McGregor. “A charity has to ensure that it has the resources – financial and human – to take on a debt of this magnitude and to repay it.”

Investors such as Muttart do not abandon their responsibility to complete a due-diligence review of a loan or investment just because a charity is involved, said Wyatt.

The YWCA Elm Centre is an innovative residential community located in the heart of downtown Toronto. The Elm Centre will have 300 affordable apartments for single low-income women, women with children, women living with mental health and addiction issues and families of Aboriginal ancestry. It will also house YWCA Toronto’s new administrative headquarters, the 200-seat Nancy’s Auditorium, a Women’s Community Meeting Room, meeting spaces and a restaurant.

The bond is being issued for a 10-year term and will pay interest of 4% annually. YWCA Toronto will have the right to redeem the bond after three years.

YWCA Toronto is a multi-service organization dedicated to improving the lives of women and girls.

The Muttart Foundation was created in 1953 by the late Gladys and Merrill Muttart. It has awarded grants of more than \$65 million since its creation.

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