

The Saint John Community Loan Fund was founded in 1999 and rebranded as Kaléidoscope Social Impact (KSI) in 2021. In 2020, KSI created a new investment thesis for its' evergreen (intended to operate without end) fund that proposed a multi-asset strategy to finance affordable housing developers, social enterprises, and microlending in the province of New Brunswick. KSI created a 3-year runway.

The 2020-2023 runway was furnished primarily with funding from the Social Innovation Fund and the Solutions Finance Accelerator with the McConnell Foundation. This enabled KSI to develop capacity, build infrastructure, grow our loa capital from 700,000 to \$2+ million, and lend out over \$1 million in a fiscal year; a marker that is greater than our first 20 years of lending combined.

INNOVATION

In order to achieve these milestones, the team engaged in opportunities to develop our understanding of fund structure, operating in the exempt market, pitching for capital, fund modeling, and impact measurement. We were part of 2 formal learning cohorts: The McConnell Foundation's Solutions Finance Accelerator in 2020-21 and the Catalyst Community Finance Capacity Building program in 2023. These settings created opportunities to become part of a community of practice, reach new investors, and further refine the Kaleidoscope Social Impact Fund.

KSI operates three lines of lending; MicroWorks for individuals to start a micro business or accept/retain employment, LaunchSocial to finance social enterprises and social entrepreneurs, and BuildNB to provide bridge and construction financing for affordable housing projects in New Brunswick.

Through SIF, we integrated the infrastructure, technology, staffing and governance support required to manage these lending streams.

CHALLENGES

The KSI model is a debt in, debt out fund model with all investments coming into the organization as loan pooled with other funds restricted to lending. The model is evergreen and place-based with a reach of the provincial borders of New Brunswick (as of the completion of SIF).

KSI operates in the exempt market and all of our investors fall under the Private Issuer exemption. This model, while easy to shape and test at a smaller scale, presents challenges when looking to raise capital at scale. One challenge included additional risk to be absorbed by the investor as all KSI activity happens under one charitable structure, causing risks from social purpose real estate. A second challenge with the model is the additional risk being accepted by KSI with annual interest payouts and operational withdrawals leaving little to account for any potential losses.

The model faces a 3rd challenge as it was built on a 3% margin that assumed that the rolling average for investments into the pool would be below 3%, enabling KSI to deliver capital to affordable housing developers in the 6-7% range and be able to accommodate the required margin for sustainability.

Potential streams for investment were explored, including a Community Economic Development Corporation, community bond, or impact GIC.

KSI had created a theory of change as a component of the multi-asset investment strategy. We would choose to adapt IRIS+ metrics that are usually intended for each investment to work for our portfolios, making the measurement process each year manageable. We did this because being able to measure our impact back against the Sustainable Development Goals was important to us, and this was a leading standard within impact investment networks.

The 5 Dimensions of Impact Measurement

What

What are the specific project or portfolio strategic goals and desired outcomes? ex. Pay equity, improved financial resilience and financial inclusion of underserved populations

Who

Who are the target stakeholders? What are their demographic, socioeconomic statuses, geography and setting? How underserved are these populations?

How Much

How much change is happening? What is the scale and depth of the change?

Contribution

What are the investor-specific contribution strategies that we are engaging in? i.e., Signal that impact matters, Engage actively with stakeholders, Grow new/underserved capital markets, Provide flexible risk-adjusted returns

Risk

What is the impact risk?

The Outcomes, Indicators, & SDGs of Our Impact

	MICROWORKS A KALÉIDOSCOPE SOCIAL FINANCE PROGRAM	LAUNCHSOCIAL A KALÉIDOSCOPE SOCIAL FINANCE PROGRAM	BUILDNB A KALÉIDOSCOPE SOCIAL FINANCE PROGRAM
Outcome Goals	<p>Improving Access to and Use of Responsible Financial Services for Historically Underserved Populations</p> <p>Improving Earnings and Wealth through Employment and Entrepreneurship (Particularly for Disadvantaged and Excluded Groups)</p>	<p>Supporting Decent Jobs and Fostering Economic Development</p> <p>Improving Earnings and Wealth through Employment and Entrepreneurship (Particularly for Disadvantaged and Excluded Groups)</p>	<p>Increasing Access to Supportive Services through Housing</p>
Key IRIS+ Indicators	<ul style="list-style-type: none"> Number of clients & loans Number of new clients actively using products/services offered Average loan size Client satisfaction ratio Percent of payments made on time Clients earning a living wage or better 	<ul style="list-style-type: none"> Number of jobs in Directly Supported or Financed Enterprises Number of SME Clients supporting jobs Number & Size of Loans to SME clients Clients earning a living wage or better 	<ul style="list-style-type: none"> Percent of Housing Units Constructed & Improved that is affordable Number of Community Facilities Built Percent of Residents provided new access to housing Non financial support Total capital leveraged
UN Sustainable Development Goals	 	 	 