CJNSER / ReCROES
Canadian Journal of Nonprofit and Social Economy Research
Revue canadienne de recherche sur les OSBL et l'économie sociale

CJNSER / ReCROES
Vol. 16, No. 3, 2025
pp. 76 – 104

Community Bonds and Canada's Foundations: Rethinking Risk and Financial Outcomes

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ABSTRACT
Community wealth building (CWB) offers a place-based approach to impact investing, fostering local economic development and wealth retention (Dowin Kennedy, 2021; Guinan & O'Neill, 2019; O'Neill & Howard, 2018; Ratner, 2019). Community bonds (CBs), a CWB tool, challenge traditional wealth models but remain underutilized due to limited awareness (Surman & Hughes, 2012; Hughes, 2013). This study examines risk perceptions versus financial performance in the Canadian CB market, arguing that addressing information asymmetry is key to unlocking capital and scaling impact. Using historical repayment data, it introduces a dataset of CB offerings and proposes a bond rating system to reduce risk. The study also develops an investor typology and explores partnerships among investors, issuers, and intermediaries through a CWB lens.

RÉSUMÉ
Le Community Wealth Building (CWB) propose une approche ancrée localement pour l'investissement d'impact, favorisant le développement économique et la rétention des richesses (Dowin Kennedy, 2021; Guinan & O'Neill, 2019; O'Neill & Howard, 2018; Ratner, 2019). Les obligations communautaires (OC), un outil du CWB, remettent en question les modèles traditionnels de richesse mais demeurent sous-utilisées en raison d'un manque de sensibilisation (Surman & Hughes, 2012; Hughes, 2013). Cette étude examine la perception du risque par rapport à la performance financière sur le marché canadien des OC, en avançant que la réduction de l'asymétrie d'information est essentielle pour mobiliser du capital et accroître l'impact. À partir de données historiques, elle propose un système de notation et explore une typologie des investisseurs ainsi que les partenariats entre investisseurs, émetteurs et intermédiaires sous l'angle du CWB.

Keywords / Mots clés : community bonds, impact investing, community wealth building, information asymmetry, risk perception, bond rating / obligations communautaires, investissement à impact, création de richesse communautaire, asymétrie d'information, perception du risque, notation des obligations

INTRODUCTION

Community wealth building (CWB) is a place-based approach to impact investing,[1] an investment that generates positive social and environmental impact alongside financial returns (Global Impact Investing Network, 2024), focusing on local economic development to democratize local economies and retain wealth within communities (Dowin Kennedy, 2021; Guinan & O'Neill, 2019; Howard & O'Neill, 2018; Ratner, 2019). In Canada, CWB thus aims to reconfigure institutions and local economies based on greater democratic ownership and participation, moving beyond conventional corporate capitalism to build shared prosperity and racial equity (Hanna & Kelly, 2021). Specifically, CWB rests on five pillars: inclusive ownership, finance, workforce, spending, land, and property (CWB, 2024). These pillars are designed to foster collaboration in addressing community challenges and developing strategies and policies that result in tangible actions that impact communities. While all five pillars are critical in CWB, this article focuses on the finance pillar as the core component of community bonds. The finance pillar underscores the significance of locally rooted finance, exemplified by institutions such as community banks and credit unions, and instruments such as community bonds.

Community bonds (CBs) embody CWB principles and challenge conventional norms of wealth generation, particularly in sectors such as affordable housing and green energy. Deeply rooted in community, CBs can be used by charities, nonprofits, and co-operatives to finance socially and environmentally impactful projects. Similar in many ways to a traditional bond, they are interest-bearing loans from investors with set rate of return and a fixed term (Tapestry Community Capital, 2023). In Canada, only nonprofits and charities can issue these bonds, as they are exempt from the obligation to produce a full prospectus required for corporate or government bond issuances. However, they typically provide investor information packages that outline key details about the offering, such as the bond terms, use of proceeds, organizational background, and associated risks. While conceptually linked to traditional fixed-income securities, community bonds function more akin to promissory notes or loans, allowing investors to contribute a fixed amount for a specified term and interest (Prince & Sorin, 2021; Graeber, 2012). An organization can tailor these bonds to specific terms, aligning with considerations such as cash flow, interest accrual, and principal payment (Surman & Hughes, 2012; Hughes, 2013). Unlike traditional financing, community bonds offer flexibility with both non-asset-backed and asset-backed structures (Barone, 2023). This flexibility makes them an attractive option for individuals, organizations, and foundation investors, presenting a unique method of mobilizing funds within communities.

Despite proven success, community bonds remain underutilized in the philanthropic sector (Surman & Hughes, 2012; Hughes, 2013). This limited uptake may stem from a persistent misperception of risk associated with investing in the CB market. Although risk is a familiar concept in financial investment, the particular context in which it is evaluated within the CB market reveals an underlying issue of information asymmetry. Information asymmetry arises when there is an imbalance of knowledge between buyers and sellers, which can lead to adverse selection and overall market inefficiency (Akerlof, 1970). This article suggests that the unequal division of knowledge in the CB market leads to an insufficient supply of capital and hinders transparent transactions. Information asymmetry within financial exchanges can significantly shape risk perception, as the imbalance of knowledge between parties in the CB market may create uncertainty and influence how risks are perceived and managed. The relationship among risk, profit, and loss is fundamentally complex. The reduction of perceived risks, achieved through addressing information asymmetry, is a catalyst for encouraging the CB market.

Addressing information asymmetry in the context of CB investments enables stakeholders to contribute to greater and more meaningful social impact, positively influencing communities across the country. Grounded in existing literature on risk perception and information asymmetry, this study adopts a community wealth building lens to examine the complexities of community-based financial decision-making. It explores the use of market mechanisms such as bond rating systems, to provide greater transparency and assurance in the nascent CB market. The exploration of these concepts seeks to generate insights into enhancing the community bond market in the Canadian philanthropic landscape.

This article begins with an overview of the CB market in Canada, followed by a discussion of the evolving role of foundations in impact investing. It then introduces the community wealth building (CWB) framework as a lens to explore financial decision-making in this space. The article proceeds to examine risk perception and information asymmetry in the CB market, situating these within existing literature and outlining their implications. The methodology section details the qualitative design, including stakeholder interviews and data analysis. This is followed by a presentation of findings, categorized by investor types and their attitudes toward risk. The discussion then introduces a conceptual community bond rating framework as a potential solution to reduce information asymmetry and encourage greater market participation. The article concludes with practical recommendations and reflections on limitations, charting a path forward for future research and practice in the Canadian philanthropic investment landscape.

Understanding the community bond market

Community bonds, similar to charity bonds in the United Kingdom and comparable instruments in the United States, offer non-equity, securities-exempt avenues for social purpose organizations to obtain capital from local communities and supporters (Burrell, 2022; Amyot, Albert, Downing, & Community Social Planning Council, 2014; Tapestry Community Capital, 2023; Stapleton, 2009; Bahia, 2022). Serving as locally focused, place-based mechanisms for impact investing, they challenge traditional wealth generation paradigms by providing patient and flexible capital across various sectors (TIESS, 2017; Prince & Sorin, 2021; Graeber, 2012).

CBs are tailored to an organization's needs, as they boast specific terms and conditions that align with cash flow availability, interest accrual, and principal payment schedules (Surman & Hughes, 2012; Hughes, 2013). These instruments, whether non-asset-backed or asset-backed, furnish nonprofit organizations and cooperatives with a versatile borrowing mechanism compared with conventional financing methods, drawing on existing networks of members and supporters to retain community assets and wealth locally.

While most bond issuances are governed by traditional securities laws, requiring extensive documentation, including prospectus issuance (Barone, 2023), community bonds are able to bypass stringent requirements through Canadian federal and provincial legislation, empowering select organization categories to issue exempt market securities without burdensome documentation.

However, CBs can only be issued by registered charitable organizations, faith-based organizations, nonprofits, and nonprofit cooperatives (Barone, 2023; Surman & Hughes, 2012; Hughes, 2013).

While the community bond legal exemption streamlines capital-raising, it does impose constraints on bond sales and market outreach. Many social purpose organizations struggle to transition from fundraising for infrastructure to sustaining operational programs, which necessitates continuous cash flow (Davis, Grady, & Woeller, 2018). To alleviate financial strain, these organizations are required to develop pragmatic business plans that address both the cash flow needs required to repay investors while simultaneously sustaining their mission-oriented operations. Despite these challenges, leveraging the CB exemption offers significant advantages, reducing fundraising barriers and expanding access to capital beyond traditional sources such as grants and donations (Surman & Hughes, 2012; Pomeroy, 2017; Davis et al., 2018). Consequently, community bonds offer social purpose organizations a dual benefit: they not only enable capital raising but also support professional development by building financial expertise comparable to that of mainstream businesses (Davis et al., 2018).

Canadian foundations and impact investing

At the core of Canada's philanthropic landscape, foundations function as independent legal entities dedicated exclusively to charitable purposes. The country's 10,000 foundations collaborate with more than 73,000 registered charities as well as numerous nonprofit and social-purpose organizations, operating within a framework of legal autonomy (Philanthropic Foundations Canada, 2023). Within the Canadian charitable landscape there are two main categories of foundations: private and public (Philanthropic Foundations Canada, 2023). Private foundations are often funded by an individual, a family, or a corporation, while public foundations, including community foundations, receive funds from various donors and focus on supporting local community needs. Canadian foundations are regulated under the *Income Tax Act* and are overseen by the Canada Revenue Agency (CRA). Between 2008 and 2019, Canadian foundation assets nearly tripled, reaching over $120 billion, with an annual disbursement of approximately $8 billion. They are required to follow strict regulations governing their charitable status, including rules on fund distribution and activity reporting. Recent reports indicate that the tripling of Canadian foundation assets between 2008 and 2019 reflects a mix of strong investment returns, new donor capital (including intergenerational transfers), the creation of new foundations, and low disbursement requirements that allowed accumulation (Imagine Canada, 2021). Both public and private foundations experienced growth, though private foundations tended to expand more rapidly through large endowments, while public foundations grew more steadily through ongoing fundraising. Broader discussions of regulatory influences (Lajevardi, Rabinowitz Bussell, Stauch, & Rigillo, 2018) and operational analyses using tax data (Khovrenkov, 2016) provide useful context, but do not capture these specific asset trends.

Foundations in Canada fulfill a variety of roles. Leveraging their financial resources and independence, they can act as both grantors and investors (Pearson, 2022). Most commonly, foundations follow a model in which they endow assets, often received as tax-receipted donations, and invest these funds in perpetuity. The earnings generated from these investments are then used to issue grants or support charitable activities, illustrating the dual function foundations serve in advancing charitable work.

Over the past two decades, many philanthropic foundations have evolved, shifting beyond their original role as vehicles for personal giving to actively pursuing broader social change agendas. Now, going beyond traditional grant-making and fulfilling their disbursement quotas, foundations are increasingly leveraging their endowment assets to explore social finance and alternative investments. In parallel, there is growing scrutiny of the assets managed within foundation endowments, most notably in how they are invested. Foundations are now facing pressure to allocate a greater portion of their capital to investments aligned with social purposes or impact. The conventional practice of segregating investment policy from mission, as seen in the historical approach of foundations, is no longer unquestioned (Miller, 2017). This evolution is significantly influenced by the neoliberal agenda, which has fostered philanthrocapitalism and impact investing as market-oriented approaches to address societal challenges (Maclean, Harvey, Yang, & Mueller, 2021; Pansera & Owen, 2017). Concurrently, escalating financial pressures impacting grant opportunities are largely driven by neoliberal policies, which have led to reduced government funding for nonprofits, a shift from operational to competitive project-based funding, and increased demands for organizational legitimacy with funders (Alexander & Fernandez, 2020; Foster & Meinhard, 2005; Phillips, 2006). In response to these dynamics, the growing interest in community wealth building and community bonds can be understood as a reaction to the limitations of social impact bonds, which leverage private capital for social programs (Toussaint, 2018) but have faced criticism for prioritizing easily measurable outcomes, "cherry-picking" beneficiaries (Becchetti, Pisani, Salustri, & Semplici, 2021), contributing to the financialization of social services (Chiappini, Marinelli, Jalal, & Birindelli, 2023; Morley, 2019; Sinclair, McHugh, & Roy, 2019), generating high transaction costs and misaligned interests (Becchetti et al., 2021; Chiappini et al., 2023), and marginalizing grassroots initiatives through top-down structures (Edwards, Burridge, & Yerbury, 2013). This has fostered a preference for CWB and CBs, which emphasize local ownership, democratic control of capital, and patient financing rooted in community needs (Lacey-Barnacle, Smith, & Foxon, 2022), thereby reflecting a more values-driven approach to investment (Sinclair et al., 2019).

Within this context, social finance, also known as impact investing, has emerged as a strategic tool for the philanthropic sector. In Canada, the social finance landscape is marked by diverse initiatives and a multi-scalar government involvement that spans federal, provincial, and local levels, shaping the financialization of social outcomes, such as affordable housing (Hanna & Kelly, 2021; Zhang, 2019). Its relevance, however, extends beyond Canada, with the global impact investing market estimated at U.S.$1.164 trillion (GIIN, 2022). Social finance can be described as an approach to mobilizing private capital that delivers a social dividend and an economic return to achieve social and environmental goals. These investors intentionally invest to generate positive social and environmental impact alongside financial returns (Global Impact Investing Network, 2024). It is measurable and measured. In the contemporary nonprofit sector, social finance emerges as a pertinent and essential economic tool due to the escalating financial pressures impacting grant opportunities (Lee, Park, & Gong, 2023). Consequently, there is growing interest in exploring alternative avenues, such as investment in community bonds, to enhance their impact in the social sector.

Community wealth building

Community wealth building is a place-based strategy within the broader field of impact investing, focused on democratizing local economies and ensuring that wealth is generated and retained within communities. It emphasizes localized economic development through inclusive, community-driven practices. Community wealth building emerged from socio-political movements in the United States, formalized by the Democracy Collaborative in 2005 to address systemic inequalities through local ownership and control of capital (Gusoff, Zuckerman, Pham, & Ryan, 2023) (Hanna & Kelly, 2021). Inspired by early U.S. CWB experiments, the Preston Model in the United Kingdom successfully redirected anchor institution spending toward local and cooperative businesses, significantly reducing unemployment and increasing living wage jobs (Hanna & Kelly, 2021). This success led to its spread across the United Kingdom and influenced national policy discussions (Hanna & Kelly, 2021). While CWB's direct path to Canada is not explicitly documented, its global success likely facilitated its adoption within Canada's existing community economic development and cooperative frameworks (Abucar, 1995; Krawchenko, 2017; Lotz, 1999; Spicer & Zhong, 2022). Provincial uptake of CWB in Canada manifests through diverse community economic development strategies, with municipalities and provinces playing significant roles in place-based economic initiatives, mirroring approaches seen in places such as Scotland, where local CWB initiatives gained national policy support (Mazzei, Murray, & Hutcheon, 2023) (Hachard, 2022).

There are five core pillars to community wealth building:

1. Inclusive ownership, advocating for shared ownership of the local economy;
2. Finance, leveraging financial resources to benefit local areas;
3. Workforce, ensuring equitable employment practices and a just labour market;
4. Spending, promoting progressive procurement practices; and
5. Land and property, supporting the socially just and productive use of land, property, and assets.

These pillars are intended to promote collaboration in understanding challenges and developing strategies and policies that lead to concrete actions and meaningful impacts on community well-being. Indeed, through fostering the development of small-scale, locally owned enterprises, co-operatives, and social ventures, the CWB framework aims to anchor wealth within regional economies. This increased investment in local economies, in turn, encourages the recirculation of existing wealth within communities, thereby enhancing their economic resilience (Galland & Stead, 2022). However, while community bonds serve as an active means of redistributing wealth within localities, this approach is not universally embraced. Historically, underrepresented and disadvantaged groups, as well as the entities that advocate for them, often encounter substantial barriers to securing funding and capital. Therefore, while social finance instruments have the potential to aid these communities, it is crucial to recognize that the onus for generating capital should not fall exclusively on the shoulders of these groups through mechanisms like community bonds. Eikenberry and Mirabella (2018) contend that this approach should avoid placing an undue financial burden on those already facing systemic challenges. Instead, an enabling state, as conceptualized by Elvidge, should provide a "helping hand" at different stages of community development, adapting its support to the varying needs and capacities of diverse communities and their levels of civic engagement (Mazzei et al., 2023).

Beyond such inequities, there are additional barriers to the flow of capital into community bonds. Strandberg (2007) identifies six key barriers to capital flow within the sector: limited awareness of social finance opportunities, concerns regarding risk and return, elevated transaction costs, rigid lending practices, absence of a secondary market for social enterprises, and negative public perceptions of social enterprises, such as their perceived lack of bankability and high risk. Of the six mentioned, three deserve special attention: limited awareness, negative public perceptions, and concerns of risk and return.

Risk perception in the CB market

Perceptions of risk significantly influence the community bond market, often exacerbated by information asymmetry. Limited awareness, also known as information asymmetry, occurs when one party involved in a transaction possesses more or superior information than the other party (Akerlof, 1970). Applied to community bonds, where the division of knowledge can hinder transparent transactions, information asymmetry highlights the need for transparency and mechanisms to mitigate information imbalances for fair transactions (Akerlof, 1970). Ultimately, the uncertainty and lack of trust resulting from information asymmetry contribute to the lack of capital that impedes this market (Akerlof, 1970).

Consequently, this uncertainty and lack of trust underpin negative public perceptions in this market that can erode confidence in its efficiency and fairness, potentially leading to market inefficiencies, decreased trading volumes, or even market failure. Therefore, information asymmetry ultimately undermines the functioning of the market by impeding transparency, hindering accurate price discovery, and reducing overall market confidence.

Furthermore, negative public perception in finance often stems from limited understanding of the risk-return trade-off, the foundational principle that higher expected returns generally correspond with higher levels of risk (Perold, 2004). In traditional public equity and debt markets, mandated disclosures help investors align their expectations with potential outcomes. These standard practices promote transparency and support informed decision-making based on individual risk tolerance. The same principles should inform investments in the social finance space, including community bonds, where clear communication about risk and return is essential for building trust and enabling sound investment decisions.

In the Canadian community bond market, there is a heightened perception of risk associated with potential investments. We suggest that this perception of elevated risk is misguided, primarily because of information asymmetry within the market. Various factors contribute to this information disparity between buyers and sellers, including a lack of clarity regarding what constitutes a community bond investment, differentiation from grants and distribution quotas, uncertainty about the financial standing of the issuing organization, absence of a standardized bond rating system, limited access to transparent information from previous investors, the absence of a dedicated bond marketplace, and a general lack of awareness of the investor packages offered by bond issuers.

We define community bonds as localized, non-equity, security-regulation-exempt financial instruments. The term securities denotes an interest in a company's capital, assets, property, profits, earnings, or royalties (Vancity Community Foundation, 2013).[2] It is crucial within this context to emphasize that community bonds and other forms of impact investments differ from grants, thus necessitating a similar approach to market investments from both investors (buyers) and issuers (sellers). This approach inherently involves risk. In the realm of impact investing, there is a prevalent notion that community bonds or similar investments should carry no risk to the investor, driven by the belief that responsibly investing capital that serves community needs should not entail the risk of default. In reality, impact investments, including community bonds, employ financial instruments comparable to those used in conventional markets, meaning that risk remains an inherent and fundamental aspect of these investments.

Study

To explore how information asymmetry influences decision-making in the community bond market, the authors conducted a series of semi-structured interviews with foundation leaders and sector experts. These conversations aimed to uncover the underlying factors shaping investment behaviours, particularly how limited, inconsistent, or unclear information may affect trust, perceived risk, and willingness to invest in community bonds.

To evaluate risk perception, the authors examined whether subjective, cognitive, and emotional factors affect how community bonds are perceived, potentially hindering the growth of this financial instrument, and determining if such perceptions are warranted. Expanding on the insights of Renn, Burns, Kasperson, Kasperson, and Slovic(2009), who stress the importance of evaluating risk perception in financial decision-making, this process involves assessing situational uncertainty, controllability, and confidence in these assessments (Sitkin & Weingart, 1995).

METHODOLOGY

Adopting a grounded theory methodological approach (Strauss & Corbin, 1990), this study combines semi-structured interviews with the development of a dataset of community bond offerings in Canada. This approach was chosen as there is little existing theory explaining how foundations and institutional investors perceive and manage risk in the community bond market. Grounded theory enables the inductive development of new explanatory models rooted in empirical insights, rather than relying on preconceived assumptions (Corbin & Strauss, 2015; Suddaby, 2006). The method is particularly suited to examining decision-making processes under information asymmetry, as it allows concepts to emerge iteratively from participants' experiences (Glaser, 1998; Kelle, 2005).

Interview participants were selected based on their roles as organizational decision-makers, thought leaders, and stakeholders in social finance and impact investing within Canadian foundations. The study employed purposive and snowball sampling. Initial participants were chosen for their expertise and active engagement with community bonds and associated networks. Subsequent participants were identified through referrals from early informants, allowing the sample to expand iteratively until no substantively new themes emerged, indicating theoretical saturation. In qualitative research guided by grounded theory, theoretical saturation, the point at which new data no longer yield new theoretical insights or themes, is the primary determinant of sample size, rather than a predetermined number (Ahmed, 2024; Vasileiou, Barnett, Thorpe, & Young, 2018). While the exact number varies by study context, focused qualitative studies with relatively homogeneous samples often achieve saturation within 10–20 interviews (Adu & Miles, 2023; Vasileiou et al., 2018). Thus, in total, 12 one-hour semi-structured interviews were conducted in 2024 with representatives of foundations, intermediaries, and institutional investors, including both national and provincially based organizations in Canada.

The interviews were designed to explore participants' mission and goals, investment strategies, awareness of and engagement with community bonds, decision-making processes, perceptions of risk, community engagement practices, approaches to impact measurement, and assessments of financial performance. The semi-structured interview protocol allowed for adaptive probing as themes emerged and is provided in Appendix C. In addition to primary interview data, secondary data were collected from publicly available documents and organizational repositories, including reports and internal records, to contextualize interview findings and triangulate the analysis.

Interview transcripts were manually coded following grounded theory procedures: open coding to identify initial concepts, axial coding to explore relationships among categories, and selective coding to integrate findings around a central explanatory theme (Strauss & Corbin, 1990). Codes were organized into six dimensions of risk perception: subjective, cognitive, emotional, situational uncertainty, controllability, and confidence-adapted from prior research (Renn et al., 2009; Sitkin & Weingart, 1995). Each dimension was scored on a three-point scale (1 = low, 2 = moderate, 3 = high), enabling the classification of participants into three investor typologies: Finance First (total score ≤10), Impact First (11–15), and Philanthropy First (>15). This structured coding approach provided a systematic way to compare how investors interpret risk under conditions of information asymmetry. Memos were maintained throughout to capture theoretical insights and support the rigour of the grounded theory process (Glaser, 1998).

FINDINGS

Interviews were conducted with representatives from nine foundations and three industry professionals, all of whom were asked a set of uniform questions about their views on community bonds. These questions aimed to explore their risk assessments and how such perceptions influence their organization's comprehension, receptivity, and tactical approaches to community bonds. Participants were prompted to provide in-depth insights into their financial outlooks, expectations, approaches to measuring impact, decision-making processes, and other pertinent topics. Analysis of the interviews revealed a wide spectrum of understanding and approaches to community bonds among foundation participants. This variability was also reflected in the perspectives of issuers, intermediaries, and institutional investors, highlighting differing levels of familiarity, confidence, and strategic orientation within the ecosystem.

Diverse understandings and approaches

We found the landscape of attitudes towards CBs is far from monolithic. Some foundation officials exhibit a marked skepticism toward these non-traditional investment vehicles. For instance, the study found a common apprehension questioning the novelty of CBs by equating them to more familiar financial instruments: "There is risk … people are labeling as community bonds is a marketing niche … when it is essentially a promissory note or syndicated loans" (Interviewee G, 2024). This perspective underscores a cautious stance toward innovations in the social finance realm, reflecting a preference for conventional risk-return paradigms.

Similar hesitancy was voiced by other interviewees: "We're still trying to understand if the project is really viable … We're not opposed to it, but we're skeptical" (Interview F, 2024). The query "Why are you targeting community bonds rather than something else?" (Interviewees C & D, 2024) echoed this cautious engagement with CBs. These sentiments underline a broader trend of circumspection among certain foundations when confronted with unconventional financial instruments.

However, a more progressive outlook was observed in other segments of the sector. One interview reflects a relative sophistication in understanding CBs, albeit with reservations about operational mechanics: "our level of understanding is somewhat high compared to other foundations. But when it comes to the mechanics of running a community bond, you know, perhaps average" (Interviewee I, 2024).

Many interviewees' responses to these questions represent a paradigm shift towards integrating social impact with financial returns: "We committed to a hundred percent impact portfolio … investing with an eye for impact would increase the probability of high returns, especially in the long term" (Interviewee H, 2024). This forward-thinking approach signifies a departure from traditional investment models, prioritizing social value creation alongside financial performance.

For some there has been a transformative mindset: "Generally in the investment market if you do take a high risk, the investment is supposed to reward you with a higher return. Here we think we are taking high risk but not with the intention of generating a high return. The intention is to generate high impact" (Interviewee A, 2024). Several interviewees emphasized a commitment to impactful investments despite potential compromises on financial returns: "As we learn about what the risks to reward are on this, at the same time, you know, as an organization, we are working to put our money where our mouth is and start to fund some of these projects that may not have the return that we've been getting in the main pool but have a significant impact on the ground" (Interviewee E, 2024).

The range of attitudes toward CBs across foundations carries significant real-world consequences for their adoption and implementation. Three interviews reflected a cautious stance, suggesting a restraint that constricts the breadth and depth of CB investments. This hesitancy, rooted in a predilection for established investment norms, poses a risk of dampening the spirit of innovation and exploration that characterizes the philanthropic investment realm (Interviewees E, I, & J, 2024).

Conversely, five interviewees had a forward-thinking outlook that seamlessly integrates financial sustainability with meaningful social outcomes. These entities are not merely stretching the definition of a worthwhile investment; they are at the forefront of advocating for an investment ethos that places social impact at its core: "If we start thinking this way, it could really shake things up. Foundations might start seeing CBs as more than just a financial mechanism, but as something that can really make a difference in society. This new way of seeing things could help everyone realize that making a big impact isn't just for the inner circle; it could encourage a lot more groups to get on board and make some serious changes" (Interviewee I, 2024). This dichotomy highlights the deep-seated tensions inherent in the deployment of CBs, especially in financial decision-making. The varying perceptions of risk reflect the core principles, knowledge bases, and strategic intents that guide each foundation.

Risk perception and its influences

The discourse on foundations' engagement with community bonds unveils a clear divide based on experience and understanding of these instruments. Foundations less versed in CBs navigate this terrain through the lens of common sector assumptions and perceived market tensions (Interviewees C, D, F, & G, 2024). "The promoters of impact investing too often pretend that there is either a zero or a negative social outcome from regular mainstream investing. And that is just not true" (Interviewee F, 2024). This reflects a cautious stance influenced by traditional investment paradigms.

However, those with hands-on experience or a keen interest in CBs approach decision-making with a richer understanding. "We just want to see our money being accountable into the models and the outcomes for the end user. So, we don't have financial objectives" (Interviewee A, 2024). This shift toward valuing social impact over financial gain marks a strategic evolution in investment philosophy and risk tolerance. "Risk is an interesting conversation because the perception of risk can be different from different lenses … it tends to be a little bit of a cop-out in terms of not moving forward" (Interviewee H, 2014). This duality underscores the significant impact of foundations' familiarity with CBs on their engagement strategies. Less experienced entities often exhibit resistance, influenced by perceived risks and principled dilemmas, whereas more seasoned impact/community bond investors navigate the complexities of impact investing with a deeper, nuanced, problem-solving approach. This distinction highlights the crucial role of knowledge and experience in crafting investment approaches that harmonize financial viability with a commitment to social impact.

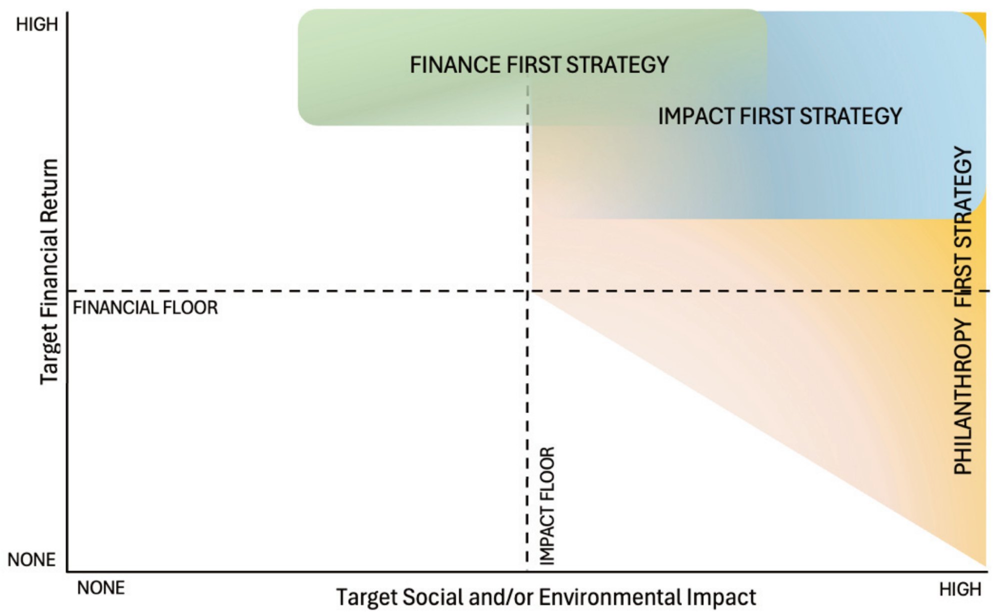
Based on these findings, the authors suggest that these varied perspectives on risk, informed by an organization's fundamental values, knowledge base, and strategic priorities, effectively categorize investors into three distinct groups based on their accepted level of risk: Finance First, Impact First, and Philanthropy First.

Impact investors in our first category seek a blend of market-rate financial returns along with social and/or environmental benefits (Emerson, 2003; Shortall, 2009). Their investment decision-making process begins by assessing the potential social and environmental impacts of the venture. Once satisfied with these aspects, they approach investment opportunities much like traditional venture capitalists, scrutinizing business plans for growth potential, expected financial returns, and exit strategies. See Appendix A for an example of said strategy. Typically, they target a market or "reasonable rate of return" ranging from 8–10 percent (Shortall, 2009) and have been referred to as "Finance First Impact Investors" (Monitor Institute, 2008).

The second category of social investors is willing to accept below-market financial returns in exchange for amplified social or environmental impact (Harji & Hebb, 2010). These investors are commonly referred to as "Impact First Impact Investors" (Monitor Institute, 2008). Consequently, they may embrace greater risk to maximize social outcomes (Shortall, 2009). Their investment decisions are guided by a commitment to achieving significant social impact alongside financial returns.

In contrast, the third category of impact investors prioritizes social returns exclusively, without expecting any financial gain (Harji & Hebb, 2010). Their investment choices are driven solely by the mission and social impact of the enterprise, while also considering its business fundamentals to gauge its ability to fulfill its mission effectively (Shortall, 2009). For the purpose of this study, they are referred to as "Philanthropy First Impact Investors."

Figure 1: Impact investor categorization



Note: Investor type x return and impact; *Source:* author

These categories reflect the investors' risk tolerance, decision-making strategies, and their prioritization of financial returns versus social impact, underpinned by a scoring system that quantifies their inclination toward each aspect.

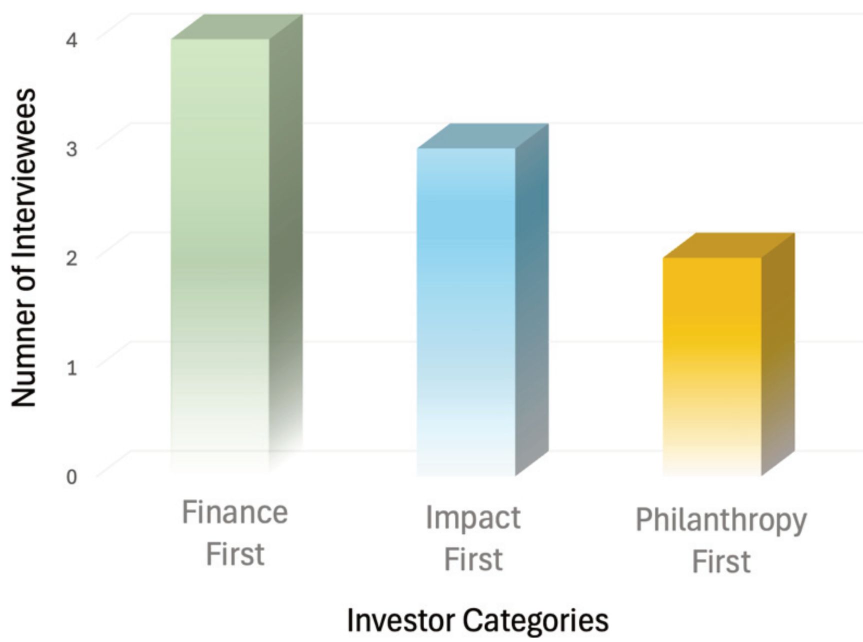
Finance First Impact Investors prioritize financial gains, often sidelining social or environmental impacts. This group is marked by a cautious stance toward community bonds and impact investments, underscored by a preference for traditional financial metrics and strategies. These investors tend to express skepticism toward community bonds not directly related to their mission. Interviews with these investors demonstrate a reluctance to embrace high-return, high-impact opportunities due to financial risk concerns. These investors exhibit a strong bias toward financial considerations.

In contrast, Impact First Impact Investors demonstrate a balanced appreciation for both financial returns and social/environmental impacts. This group employs a systematic analysis that integrates financial viability with impact potential. "It needs to be a level playing field between risk, return, and impact … we have confidence in the impact that it is generating" (Interviewee A, 2024). Their strategic approach to risk mitigation, focusing equally on financial and impact-related risks, underscores their commitment to achieving dual objectives.

Philanthropy First Impact Investors are deeply invested in fostering social change, often at the expense of financial returns. They exhibit a strong emotional connection to impact-driven projects, underscored by a belief in their ability to influence social outcomes through strategic philanthropic efforts. "CBs and other impact investments that are tightly aligned with our mission, so those we benchmarked to 0 return not negative 100. Not a grant, because we're expecting a principal back, but just no interest" (Interviewee I, 2024). Their willingness to embrace the challenges of impact measurement and to support smaller organizations despite potential difficulties highlights their philanthropic dedication.

Our interviewees fell across all three investor types. Figure 2 illustrates the distribution of interview participants across the three investor categories: Finance First (*n* = 4), Impact First (*n* = 3), and Philanthropy First (*n* = 2). While not intended to be representative of the broader foundation landscape, this distribution offers insight into the range of orientations that inform how community bonds are evaluated. The higher proportion of Finance First Impact Investors suggests that traditional financial considerations remain prevalent among many foundations, even those operating within explicitly mission-driven mandates.

Figure 2: Number of interviewees by investor category



Note: Investor categories x number of interviewees; *Source:* author

This pattern aligns with broader observations from the interviews, in which risk perception was frequently shaped by conventional investment norms. Although foundations occupy a distinct space within the third sector, often characterized as socially progressive and community-focused, their investment strategies are often governed by long-standing fiduciary models and endowment management practices. In this context, risk is typically assessed through the lens of financial performance and capital protection rather than social return.

The distribution captured in Figure 2 thus reinforces the role of institutional logic and internal capacity in shaping how foundations engage with community bonds. Differences in investment orientation reflect not only variation in values or mission alignment but also in how risk, information, and impact are interpreted and acted upon within organizational structures.

The Finance First, Impact First, and Philanthropy First categories reflect distinct approaches to weighing financial return against social and environmental objectives. These orientations are shaped not only by organizational values but also by how foundations interpret risk, return, and impact within their broader investment strategies. This classification further underscores the role of information asymmetry in shaping investment behaviour; discrepancies in access to, or interpretation of, financial and impact-related information influence how community bonds are perceived and evaluated. Understanding these dynamics is important for identifying the conditions under which foundations are willing to engage with community finance, and to assess how well community bonds are positioned to meet diverse institutional expectations.

Despite concerns about risk, which remain a persistent barrier to the wider adoption of community bonds, particularly among Finance First Impact Investors, the quantitative evidence suggests that these perceived risks may not reflect the demonstrated performance of the instrument. Across Canada, more than 4,000 individuals have invested over $120 million in community bonds to date, with campaigns averaging 90 investors per $1 million raised. These bonds remain broadly accessible, with minimum investments starting at $250 and fixed returns typically ranging from 2 percent to 5 percent, depending on the project. Many are also asset-backed, secured by tangible collateral such as real estate or infrastructure, which has contributed to a zero-default rate among Canadian community bond issuers as of 2025.

More importantly, statistically significant outcomes reinforce the value proposition of these instruments across sectors. In affordable housing, community bonds have supported the creation or preservation of over 3,000 housing units, with corresponding reductions in emergency shelter use and hospitalizations ($p \leq .05$), indicating that these effects are unlikely to be due to chance. Renewable energy projects, including those by SolarShare, have reduced annual CO_2 emissions by approximately 2,200 tonnes ($p < .01$), and post-issuance evaluations have also shown significant increases in organizational capacity among issuers ($p < .05$).

These findings suggest that the actual risk-return profile of community bonds is more favourable than commonly perceived, not only for Impact First and Philanthropy First investor types, but also for Finance First Impact Investors, who prioritize financial stability. The combination of consistent performance, asset-backed security, and statistically measurable outcomes reinforces community bonds as a credible and effective instrument for institutional, impact-driven, and mission-aligned investment strategies alike.

Implications of information asymmetry and risk perception for the CB market

The community bond market serves as a vital conduit for connecting organizations in need of capital with investors seeking to support social causes. However, due to their nature as private market instruments, community bonds often fall short in addressing information asymmetry between issuers and investors. Unlike conventional investment products with standardized disclosures, community bonds frequently require investors to actively seek out information through unfamiliar or non-traditional channels, increasing the likelihood of misunderstanding or disengagement. This information gap poses significant challenges to both parties, hindering the efficient allocation of capital and the growth of the sector, and heightening perceptions of risk.

Information asymmetry plays a pivotal role in shaping the landscape of community bond investments, particularly in how different types of investors perceive risks. Traditional Finance First Impact Investors often fail to recognize the viability of community bonds within their existing investment frameworks. This struggle is largely attributed to the lack of comprehensive, accessible information that aligns with the conventional metrics and systems they are accustomed to. The absence of standardized tools, such as a bond rating system, a unified impact measurement framework, and a centralized marketplace for community bonds, exacerbates this information gap, as noted in several interviews. Such tools are staples in traditional financial markets, providing clarity and confidence in investment decisions. The resultant information asymmetry leads to a cautious, sometimes skeptical stance toward community bonds. "The risk is much higher right than if we invest in a major fund … we always see the financial risk is high" (Interviewee D, 2024).

The tensions within the realm of community bond investments are not merely about the lack of information but also about a fundamental misunderstanding of what community bonds represent and their potential within traditional investment portfolios. These tensions also manifest through the seeming lack of transparency from the issuing organization, the questioned existence of the triple bottom line, and the perceived complexity of investor packages. Despite efforts to provide comprehensive information, intricate details and occasional novel concepts presented in investor packages addressing bond terms, issuer financial status, and their demonstration of the triple bottom line can sometimes seem daunting, leading to hesitancy among potential investors (Interviewees D, C, & G, 2024).

However, there are a number of efforts to increase transparency and reduce information asymmetry in the CB market. Intermediaries within the community bond market, such as Tapestry Community Capital, have taken significant strides to address and debunk these prevailing assumptions and tensions. By offering a comprehensive investor package, including an offering memorandum, risk acknowledgment, term sheet, and business plan, intermediaries aim to bridge the information gap and present community bonds as a viable and attractive option within the traditional investment spectrum. This initiative not only serves to reduce information asymmetry but also encourages potential investors to engage with community bonds, armed with up-to-date and relevant information tailored to their needs.

Likewise, CB success stories serve as a testament to their potential and reliability. To date, investments from 25 individual foundations have been secured without any failures.[3] Such results challenge the skepticism surrounding the riskiness and viability of community bonds (see Appendix B). This evidence suggests that, contrary to prevailing beliefs, community bonds can indeed be integrated into conventional investment portfolios, offering not only financial returns but also substantial social impact.

ADDRESSING THE CHALLENGES IN THE CB MARKET

In the Canadian foundation landscape, investors with a focus on impact—classified as Impact First and Philanthropy First—comprise a minor segment in contrast to the dominant Finance First investors. The latter group experiences significant information asymmetry. Therefore, it is crucial that recommended strategies directly tackle the key challenges faced by Finance First investors to stimulate their participation in the CBs market. These challenges include integrating community bonds into diverse investment portfolios, developing robust methods for rating these bonds, assessing their societal impact, and ensuring that the triple bottom line approach—which balances impact with risk and return—remains financially viable through decision-making methodologies.

One of the fundamental issues contributing to information asymmetry is the absence of a formalized bond rating scale. Without standardized criteria or popular metrics for evaluating the quality of community bonds, organizations hesitate to invest, unsure of what constitutes a good or bad investment. This lack of clarity undermines investor confidence and inhibits the flow of capital into the community bond market.

Building on the findings in this study, the authors propose a bond rating scale for use in the community bond market. This conceptual framework draws on established standards, such as those from S&P and Finch. The scale is complemented by a clear definition of a "defaulted" bond, alongside comprehensive investor packages furnished by community bond issuers.[4]

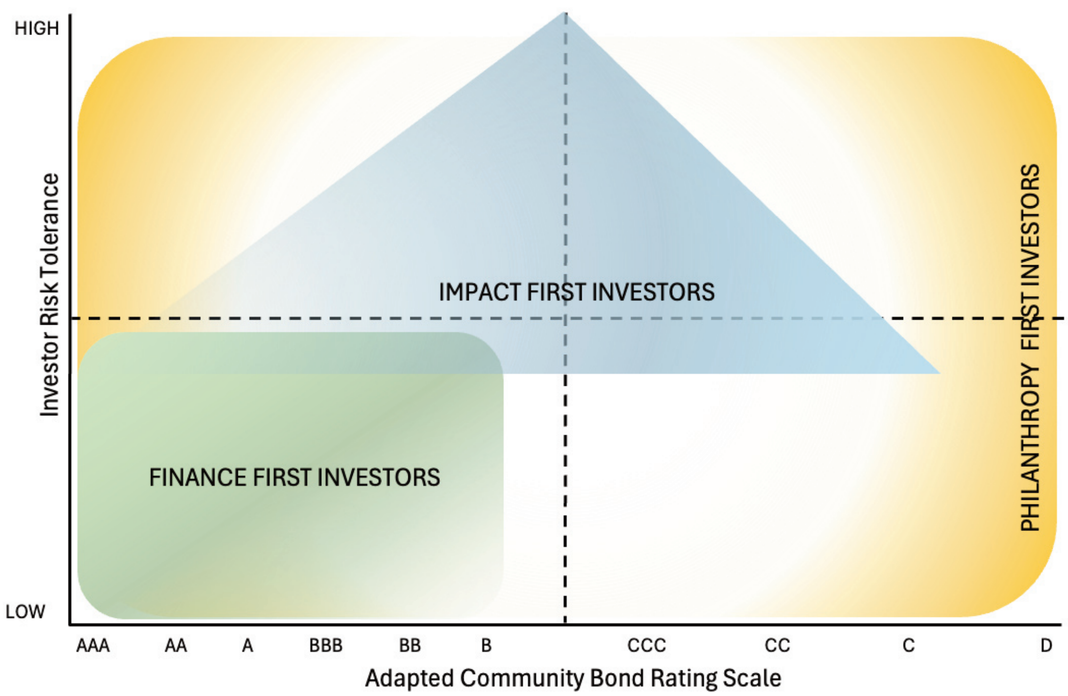
Table 1: Bond rating conceptual framework

<table>
<tr><th colspan="4">Investment grade</th></tr>
<tr><th>AAA</th><th>BBB</th><th>CCC</th><th>D</th></tr>
<tr><td>AAA ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikley to be adversely affected by foreseeable events.</td><td>BBB ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.</td><td>CCC rating indicates high vulnerability; default has not yet occurred but is expected to be a virtual certainty.</td><td rowspan="5">D rating indicates payment default on a financial commitment or breach of an imputed promise; also used when a bankruptcy petition has been filed.</td></tr>
<tr><th>AA</th><th>BB</th><th>CC</th></tr>
<tr><td>AA ratings denote expectations of very low default risk. They indicate very strong capacity fror payment of financial commitments. This capacity is not significantly vulnerable to foreseebable events.</td><td>BB ratings indicate an elevated vulnerability to default risk, particularly in the events of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.</td><td>CC rating indicates high vulnerability; default had not yet occurred but is expected to be virtual certainty.</td></tr>
<tr><th>A</th><th>B</th><th>C</th></tr>
<tr><td>A ratings denote expectations of low defualt risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for high ratings.</td><td>B ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.</td><td>C rating indicates currently high vulnerability to non-payment, and ultimate recovery is to be expected to be lower than that of higher rated obligations.</td></tr>
</table>

We suggest that a third-party credentialed community bond rating system would alleviate the inherent information asymmetry found in this market. Establishing a system to rate and clarify inherent risk would enhance transparency and encourage greater capital flows into the community bond market.

Utilizing the community bond rating system proposed above, which amalgamates the bond rating methodologies of S&P and Fitch and tailors them for the CB market, investors are empowered not only to evaluate potential community bond investments but also to comprehend their integration into existing investment portfolios. Figure 3 offers a graphical representation of the three investor profiles and the corresponding community bonds by investment grade that align with their investment criteria and risk perception/tolerance.

Figure 3: Investor risk tolerance by community bond rating scale



Note: Risk tolerance x community bond rating scale; *Source:* author

CONCLUSION

Our study expands the literature on risk perceptions within the context of community bonds and provides actionable insights into addressing information asymmetry in the philanthropic investment market. The research presents community wealth building's role in enhancing local economies, providing a new avenue for economic development. In investigating the attitudes and decision-making processes of different investor types, this study contributes to a deeper understanding of the financial dynamics at play within the community bond market. Practically, it offers a conceptual framework for improving transparency and accountability within the market through the introduction of a CB rating scale, which could stimulate increased investment and, by extension, foster greater social impact. The adaptation of established financial tools, such as the bond rating, offers a novel approach to integrating community bonds into broader investment strategies.

However, the study is not without limitations. Firstly, the qualitative nature of the research limits the generalizability of the findings. The perspectives are drawn from a sample of investors and organizations within Canada’s philanthropic sector, which may not fully represent the diverse array of attitudes and approaches to community bonds. Additionally, the study relies heavily on self-reported data, which could be subject to biases or inaccuracies. While the research leverages historical data on community bond repayments, the scope and depth of available data are limited, potentially impacting the robustness of the conclusions drawn. Furthermore, the dynamic nature of the social finance market means that the relevance of findings could diminish as new financial instruments and strategies emerge. These limitations speak to the need for ongoing research into the community bond market in Canada.

The investigation into Canada’s community bond market highlights a pivotal moment in the philanthropic sector’s evolving approach to impact investing. Although community bonds have proven effective in fostering local economic development and democratizing wealth within communities, their potential remains underutilized. Persistent information asymmetry and a lack of sector-wide education on their practical application continue to limit broader adoption.

Raising awareness and deepening understanding of community bonds among nonprofits has become an urgent priority. Many organizations are well-positioned to benefit from this financing tool but lack the knowledge or capacity to engage confidently with the bond market. Our research points to the need to build a more unified understanding of impact investing. Fragmented definitions and inconsistent metrics across the sector continue to create barriers that inhibit the growth of a cohesive market. Moving toward a shared foundation of goals, standards, and definitions will be essential.

To facilitate this crucial shift, more research is needed on how policymakers, in collaboration with industry stakeholders, should consider implementing standardized disclosure and reporting frameworks for community bond issuers to reduce information asymmetry and foster investor confidence. This would include research into what appropriate governance systems would be most conducive to advancing community bonds in Canada. Additional research is needed to understand why registered charities, faith-based organizations, nonprofits, and cooperatives might be drawn to community bonds, and what risks they may face in issuing them.

In summary, the study’s findings and conceptual framework chart a path toward a transformative shift in the community bond market. Tackling information asymmetry, advancing sector-wide education, and building collaborative relationships across the ecosystem are essential steps toward unlocking the full potential of community bonds. This strategic shift represents more than access to capital; it offers a pathway to sustainable, community-driven growth and a powerful catalyst for social and environmental progress.

NOTES

1. Impact investing is when an organization intentionally invests to generate positive social and environmental impact alongside financial returns (Global Impact Investing Network, 2024). It is measurable and measured.
2. Following thorough research and insights drawn from initiatives such as the Preston model.

3. Securities are categorized into two primary types: stocks, also known as equities or shares, and bonds, which represent debt. These securities can be traded in both public and private markets, depending on their nature. Stocks confer ownership interests in an organization to their holders, whereas bondholders act as lenders. Within the capital structure, lenders typically hold a higher priority than owners.
4. We use instances where investors are not reimbursed on their investment (i.e., defaulted) or projects fail to materialize as intended, as the definition of failure in the CB market.

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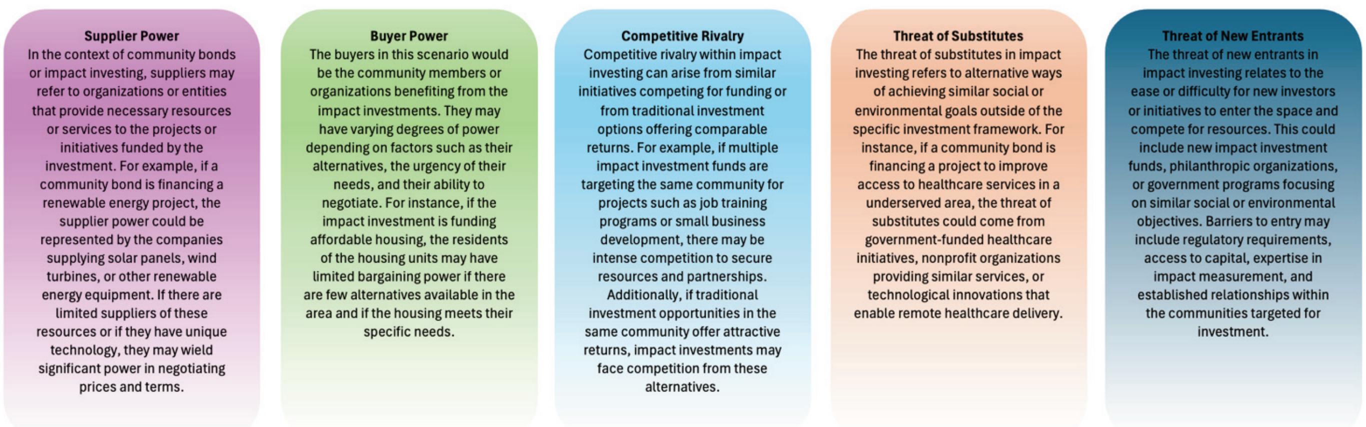
APPENDIX A

The first strategy for assessment defines four criteria to determine where to allocate funding and assess viability: a. Meaningful outcome for the human being served; b. Significant improvement from the status quo in achieving the desired outcome; c. Sustainability of the initiative once the foundation's support ends; and d. Scalability of the initiative, either in reaching more people or in deepening the impact of the outcomes.

The second strategy employs a PESTEL analysis and Porter's Five Forces model, a framework developed by Michael Porter, a renowned strategy professor at Harvard Business School (CITE). It is a tool used to analyze the competitive environment of an industry and understand the factors that influence profitability. This includes factors such as "supplier power, buyer power, competitive rivalry, threat of substitutes, and threat of new entrants."

Figure 4: Porters five forces model



APPENDIX B

Organization (Type)	Sector	Bond Name / Project	Year(s)	Location	Bond Series	Min. Investment	Interest Rate	Term	Interest Payments	Principal Repayment	Amount Raised (Target)	TFSA/RRSP Eligible?	Investor Package	Notes	Current Status
					Series A	$2,500	3% per annum	4 years		At maturity (4 yrs)					
					Series B	$10,000	3.5% per annum	5 years		At maturity (5 yrs)					
					Series C	$50,000	4% per annum	6 years		At maturity (6 yrs)					
Redwood Park Communities (Charity)	Affordable Housing	Redwood Community Housing Bonds	2024	Barrie, ON	Series D	$250,000	4.5% per annum	7 years	Paid annually	At maturity (7 yrs)	$10M target	Yes (RRSP)	Yes (Offering Statement available)	RRSP eligible, not TFSA yet (as of early 2024).	Open
					Series A	$1,000.00	3% per annum	3 years							
					Series B	$5,000.00	3.5% per annum	4 years	Paid annually			No			
					Series C	$10,000.00	4% per annum	5 years							
Services and Housing in the Province (SHP)	Affordable Housing	Affordable and Supportive Homes to Brampton, Ontario	2025	Brampton, ON	Series D	$25,000.00	4.5% per annum	6 years	Compounding interest paid at matiurity	Principal will be held for the term of the bond (ranging from three to six years). Upon Bond Maturity, investors can choose to redeem their principal or re-invest in a new Bond term that SHP offers.	$4M target	Yes(RRSP/TFSA)	Yes (Offering Statement available)	-	Open
					"Access Bond"	$1,000.00	3% per annum	3 years		At maturity (end of term)					
					"Action Bond"	$5,000.00	4% per annum	5 years		At maturity (5 yrs)					
Brique par brique (Non-profit)	Affordable Housing	Community Bonds (Access, Action, Solidarity series)	2018; 2024	Montreal, QC	"Solidarity Bond"	$15,000.00	5% per annum	7 years	Paid annually (by direct deposit)	At maturity (7 yrs)	2018 funded 31 units; 2024 target N/A	No	Yes (available upon request; sign-up form for investor info)	Québec-based non-profit.	Open
					Series 3 - General Public	$100.00	0% per annum	3 years	-	-					
Group TAO	Development and Acquisition	Investing with Heart	2025	Quebec, QC	Series E - All	$500.00	3.5% per annum	5 years	Paid annually	At maturity (3 yrs)	-	No	Yes	-	Open
					Series A	$1,000.00	4.0% per annum	5 years	Paid semi-annually in June & December	At maturity (5 yrs)					
SolarShare Co-op (Non-profit co-op)	Renewable Energy (Solar)	Solar Bonds	2010-present	Ontario (Toronto)	Series B	$10,000.00	6% per annum	15 years	Semiannual payments	Repaid gradually	~$80M raised	Yes (RRSP/TFSA)	Yes (FSRA-approved Offering Statement)	Through Concentra Trust and others.	Open
					Series A (Institutional)	Not publicly specified (large/institutional)	4.0% per annum	7 years	Paid annually (likely)	At maturity (7 yrs)					
					Series B (Retail)	$20,000	3.5% per annum	5 years							
Sustainable Capacity Foundation & GSS Ottawa (Foundation & Non-profit)	Energy Efficiency (Faith Buildings)	Faithfully Green Fund Bonds	2022-present	Ottawa, ON	Series C (Retail)	$1,000	3.0% per annum	5 years	Paid annually	At maturity (5 yrs)	$1M target	Yes (RRSP)	Yes (Offering Statement provided to investors)	Limited RRSP eligibility (pilot phase).	Open
					Rad Supporter	$1,000.00	2.5% per annum	3 years		At maturity (3 yrs)					
					Com-Rad	$5,000.00	3% per annum	3 years		At maturity (3 yrs)					
					Rad Investor	$10,000.00	3.5% per annum	6 years		At maturity (6 yrs)					
RadStorm (Non-profit collective)	Community Arts Space	RadBonds Building Purchase	2024	Halifax, NS	Rad Angel	$10,000.00	3.5% per annum	12 years	Paid annually	At maturity (12 yrs)	$350-500K target	No	Yes (Business Plan and Offering documents via Tapestry)	-	Open
LeGrand Costumier (Non-profit)	Arts & Culture	Grand Costumier Bonds	2017–2018	Montreal, QC	Series A	$1,000.00	2% per annum	5 years	-	At maturity (5 yrs)	$50,000 raised	No	Yes (Montréal pilot community bond issuance, AMF prospectus exemption)	Small issuance. Not redeemable before term (transferable after 3 years) amplifinance.info. A reserve fund equal to 30% of the raise was established as security.	Matured
Cinéma du Parc (Co-operative)	Arts & Entertainment (Cinema)	Cinéma du Parc Renovation Bonds	2017	Montreal, QC	Series A	$500.00 *(max investment of $10,000.00)*	2% per annum	5 years	-	At maturity (5 yrs)	$145,000 raised	No	Yes (community bond pilot in Montréal)	Private small-scale; not registered. Non-redeemable until maturity (transferable after 3 years).	Matured
ZooShare Co-op (Non-profit co-op)	Renewable Energy (Biogas)	ZooShare Biogas Bonds	2014–2015	Toronto, ON	Series A	$500.00	7% per annum	7 years	Semiannual payments	At maturity (7 yrs)	$2.2M raised	Yes (RRSP/TFSA)	Yes (Co-op Offering Statement via FSRA)	Through Concentra Trust. (RRSP/TFSA-eligible; membership in co-op required with one-time $10 fee)	Matured
WindShare Co-op (Non-profit co-op)	Renewable Energy (Wind)	WindShare Turbine Investment	2002	Toronto, ON	No tradable bonds. WindShare raised capital through co-op membership shares.	One-time membership + purchase of preferred shares (no fixed interest; returns via co-op dividends if profits). Initial share offering required ~$1,000+ per member on average	Not a fixed rate. Dividends depended on wind project revenues (e.g. early years targeted ~5–6% dividend, subject to performance).	Indefinite - shares held until member exits (no maturity date). Principal is "repaid" only if shares are redeemed (or co-op winds up).			~$0.8–0.9M raised	No	Yes (initial co-op share offering in 2002)	WindShare's community investment took the form of equity, not interest-bearing bonds.	Active
					Series N	$25,000.00	6.0% per annum	5 years	Interest compounding annually and paid on maturity		$2M raised				
					Series M	$5,000.00	5% per annum	5 years	Interest compounding annually and paid on maturity						
Center for Social Innovation	Community Space	Community Bond Series	2010-present	Nation wide	Series L	$1,000.00	4.5% per annum	3 years	Simple interest paid annually		-	-	Yes (CSI pioneered community bonds in 2010)	-	Active
Kingsway College School (Non-profit school)	Education (Private K-12)	KCS Community Bonds	2021–2022	Toronto, ON	Series A	$2,500	3% per annum	5 years	Paid annually	At maturity (5 yrs)	$4M raised	Yes (RRSP)	Yes (campaign website and info sessions)	(RRSP/TFSA-eligible; backed by school real estate)	Closed
					Series A	$1,000.00	3.0% per annum	5 years	Paid annually	At maturity (5 yrs)					
					Series B	$10,000.00	3.5% per annum	6 years	Paid annually	At maturity (6 yrs)					
Trillium Waldorf School (Non-profit school)	Education (Private K-8)	Trillium Rising Bonds	2022	Guelph, ON	Series C	$25,000.00	4% per annum	7 years	Paid annually	At maturity (7 yrs)	$1M raised (est.)	Yes (RRSP)	Yes (Offering Statement and Term Sheet provided)	They are secured by a mortgage on the school property (with a 30% reserve fund for investor protection)	Closed
					Series A	$10,000.00 *(Aimed at high net-worth supporters)*	6% per annum	7 years		At maturity (7 yrs)					Closed
Argonaut Rowing Club (Non-profit sports club)	Sports & Recreation	ARC Next Bonds	2019	Toronto, ON	Series B	$1,000.00	4% per annum	3 years	Paid semi-annually	At maturity (3 yrs)	$1.2M raised	Yes (RRSP)	Yes (community bond prospectus and case study available)	RRSP eligible through administrator.	
Fair Finance Fund	Climate, Food, Economy	Fair Finance Fund Bond	2024		Series A	$5,000.00 (or $50,000.00, in $5k increments)	2% base interest per annum (variable - board may boost rate if surplus allows)	5 years	Paid annually	At maturity (5 yrs) *(Backed by a first-loss grant reserve to protect investors)*	-	-	Yes (Offering Statements and term sheets annually)	-	Closed
					Series A	$5,000.00									
Heartwood House Au Coeur de la Vie	Affordable Housing	Heartwood House Bond	2022	Ottawa, ON	Series B	$10,000.00	4% per annum	5 years	Paid annually	At maturity (5 yrs)	-	-	Yes (Community Bond information posted publicly)	These bonds are unsecured loans to the charity, meant to support its non-profit shared space mission.	Closed
					Worker Bee	$1,000.00	2.5% per annum	3 years							
					Queen Bee	$5,000.00	3.0% per annum	3 years (est.)							
Propolis Housing Co-op (Non-profit co-operative)	Affordable Housing	Propolis Community Bonds	2023	Kamloops, BC	Apiary Bond	$10,000.00	3.5% per annum	3 years	Paid at end of term	At maturity (3 yrs)	$576,300 raised ($1.1M target)	No	Yes (campaign website with bond details)	Co-op structure.	Closed
Ottawa Community Land Trust (Non-profit)	Affordable Housing	Housing Forever Bonds	2024	Ottawa, ON	Series A	~$1,000 (open to individual and institutional investors)	Up to 4.5% annual interest	Multi-year term (exact term not explicitly public; designed as a multi-year, likely ~5-year bond	Paid annually	At maturity (~5 yrs)	$3M goal achieved	Yes (RRSP)	Yes (Housing Forever Bond offering, launched 2024)	RRSP eligible only through specified trustees. These bonds are secured by mortgages on OCLT properties. Early large investors (e.g. local United Way) invested $100K each to anchor the campaign.	Closed
					Series A	$1,000.00	3.5% per annum	3 years							
					Series B	$5,000.00	4.0% per annum	3 years							
					Series C	$10,000.00	4.0% per annum	3 years							
					Series D	$25,000.00	4.5% per annum	3 years		At maturity (3 yrs)					
Indwell (Charitable housing provider)	Supportive Housing	Hope & Homes Hamilton Bonds	2024	Hamilton, ON	Series E	$50,000.00	5.0% per annum	5 years	Paid annually	At maturity (5 yrs)	$6M raised ($5M target)	Yes (RRSP/TFSA)	Yes (Hope & Homes bond offering, FSRA-approved)	Registered charity; eligible for both. All Indwell bonds pay interest yearly and return principal at term-end. Series C was structured for RRSP/TFSA eligibility (same rate as B but in registered form)	Closed
					Series A		5.0% per annum	~5 years							
Places for People (Non-profit)	Affordable Housing	P4P Community Bonds	2023	Haliburton, ON	Series B	~$1,000.00	4.0% per annum	~3 years	Paid annually	At maturity (~5 yrs)	$850,000 raised	Yes (RRSP/TFSA)	Yes (P4P bond materials via Tapestry and press release)		Closed
					Series 7Y	-	4.0% per annum	7 years		At maturity (7 yrs)					
Earth Day Canada (Charity)	Sustainable Infrastructure (EV Charging)	EcoCharge EV Charging Bonds	2021–2022	Montreal, QC	Series 5Y	-	3.5% per annum	5 years	Paid annially	At maturity (5 yrs)	$1.7M raised ($2M goal)	Yes (RRSP)	Yes (EcoCharge bond offering documentation)	RRSP eligible via arrangement. Investors also receive bonus EV charging credits. These bonds are financing a non-profit EV fast-charger network and represent Québec's largest community bond raise (target $2 M)	Closed
					Bond A	$5,000.00	4% per annum	5 years	Paid annually	At maturity (5 yrs)					
					Bond B	$25,000.00	4.5% per annum	7 years	Paid annually	At maturity (7 yrs)					
					Bond C	$10,000.00	4% per annum	5 years	Paid annually	At maturity (5 yrs)					
SKETCH Working Arts (Charity)	Arts & Youth Services	Project Home 'Home Bonds'	2019–2020	Toronto, ON	Bond D	$500.00	3% per annum	3 years	Paid annually	At maturity (3 yrs)	$1.4M raised	Yes (RRSP)	Yes (Project Home bond campaign materials)	Charity bonds; RRSP eligible only.	Closed

Note: *The information included has been compiled to the best of our abilities and is to our knowledge comprehensive.

APPENDIX C

Interview overview

Each interview lasts approximately 45 to 60 minutes and follows a semi-structured format. This format allows for consistency in exploring key topics while providing flexibility for probing and follow-up questions based on participants' responses. The interview begins with background questions about the participant and their organization, transitions to investment strategy and experiences with community bonds, and concludes with reflections on risk perception and recommendations for the sector.

Interview questions

The interview begins with background and contextual questions to understand the participant's organizational role and approach to impact investing. Participants are first asked to describe their role, their organization's mission and primary objectives, and whether their organization engages in social finance or impact investing. Follow-up questions explore the organization's general investment strategy, the decision-making process for adopting new financial instruments, and the key actors involved in these decisions.

Once this organizational context is established, the interview moves to questions about awareness of and engagement with community bonds. Participants are invited to explain their understanding of community bonds, whether their organization has invested in them, and the motivations or barriers associated with that decision.

The next phase of the interview examines risk perception and information asymmetry. Participants are asked how they perceive the financial, social, and reputational risks associated with community bonds and to describe the information they rely on to assess these risks. They are prompted to reflect on their confidence in the accuracy and completeness of the information available and whether gaps, inconsistencies, or uncertainties have affected investment decisions.

To capture factors that influence investment behaviour, the interview further explores the relative importance of financial returns compared to social or environmental impact, the organization's tolerance for financial risk in impact-oriented investments, and whether market conditions or project-specific uncertainties have influenced investment decisions in the past.

The interview concludes with reflections and recommendations. Participants are asked what would make community bond investments more appealing to their organization, whether additional information or reporting could increase their confidence, and how they envision their organization's role in supporting social finance initiatives evolving in the future. They are then invited to share any additional insights or experiences they believe are relevant to the topic.

Coding and analysis

All interviews are audio-recorded via Zoom with participants' consent and transcribed for analysis. Personally identifiable information is removed, and pseudonyms are assigned to ensure confidentiality. Transcripts are analyzed using grounded theory procedures, including open, axial, and selective coding, to develop an inductive understanding of investment behaviour and risk perception.

Responses are coded across six dimensions of risk perception—subjective, cognitive, emotional, situational uncertainty, controllability, and confidence—adapted from the frameworks of Renn et al. (2009) and Sitkin and Weingart (1995). Each dimension is scored on a three-point scale (1 = low, 2 = moderate, 3 = high). Total scores classify participants into three investor typologies: Finance First (≤10), Impact First (11–15), and Philanthropy First (>15). This structured coding approach allows for systematic comparison of how different investor types respond to information asymmetry and perceive risk in community bond investments.

TRANSCRIPT MEASURES

Finance First Investors:

- Subjective factors:
  - Attitudes toward community bonds: Generally skeptical or negative, with a focus on financial returns over social or environmental impact.
  - Perceived benefits: Primarily focused on financial returns, with skepticism towards the social or environmental benefits of community bonds.
  - Perceived risks: Concerned about financial risks primarily, with additional skepticism towards the social or environmental risks associated with community bonds.
- Cognitive factors:
  - Information processing: Systematic analysis of financial data, with less emphasis on social or environmental metrics.
  - Decision-making strategies: Rational analysis based on expected financial returns, with less consideration given to social or environmental impact.
  - Risk perception accuracy: Emphasis on objective measures of financial risk, with skepticism towards subjective assessments of social or environmental risks.
- Emotional factors:
  - Emotional responses: Skepticism or distrust driven by the perceived lack of financial viability or credibility of social finance projects.
  - Risk tolerance: Moderate risk tolerance for financial risks, with a preference for investments perceived as more conventional and less socially focused.
  - Emotional biases: Potential biases against community bonds driven by skepticism towards their social or environmental impact potential.
- Situational uncertainty:
  - Market conditions: Sensitivity to market fluctuations, with skepticism towards the viability of social finance projects in uncertain market environments.
  - Project-specific uncertainty: Doubt regarding the feasibility and potential returns of specific community bond projects, particularly those with social or environmental missions.

- Controllability:
  - Perceived control: Belief in the ability to influence investment outcomes through traditional financial strategies, with skepticism towards the effectiveness of social finance initiatives.
  - Risk management strategies: Active engagement in risk mitigation strategies focused on traditional financial risks, with less emphasis on addressing social or environmental risks perceived as less tangible or controllable.

Impact First Investors:

- Subjective factors:
  - Attitudes towards community bonds: Positive, with a focus on both financial returns and social/environmental impact.
  - Perceived benefits: Balance between financial returns and social/environmental benefits, with a willingness to accept lower financial returns for greater impact.
  - Perceived risks: Willing to tolerate higher financial risks to achieve greater social/environmental impact.
- Cognitive factors:
  - Information processing: Systematic analysis incorporating both financial and impact metrics, evaluating projects based on dual criteria.
  - Decision-making strategies: Rational analysis with a focus on maximizing social and environmental outcomes alongside financial returns.
  - Risk perception accuracy: Consideration of both financial and impact-related risks in decision-making.
- Emotional factors:
  - Emotional responses: Excitement and commitment driven by the potential for significant social and environmental impact.
  - Risk tolerance: Higher risk tolerance for financial risks in pursuit of greater impact.
  - Emotional biases: Potential for biases towards projects with compelling social or environmental missions.
- Situational uncertainty:
  - Market conditions: Sensitivity to market fluctuations, but with a greater emphasis on impact-related uncertainties.
  - Project-specific uncertainty: Concern about the feasibility and impact potential of specific projects, alongside financial viability.
- Controllability:
  - Perceived control: Belief in the ability to influence investment outcomes, particularly in maximizing social and environmental impact.
  - Risk management strategies: Active engagement in risk mitigation strategies, with a focus on impact-related risks.

Philanthropy First Investors:

- Subjective factors:
  - Attitudes towards community bonds: Positive, with a primary focus on social and environmental impact rather than financial returns.
  - Perceived benefits: Solely focused on social and environmental benefits, with no expectation of financial returns.
  - Perceived risks: Minimal concern about financial risks, with a primary focus on ensuring mission alignment and impact effectiveness.
- Cognitive factors:
  - Information processing: Systematic analysis of social and environmental metrics, evaluating projects based on their potential for mission fulfillment.
  - Decision-making strategies: Rational analysis with a focus on maximizing social impact while ensuring alignment with philanthropic goals.
  - Risk perception accuracy: Limited consideration of financial risks, with a primary focus on impact-related risks.
- Emotional factors:
  - Emotional responses: Strong emotional connection to projects aligned with philanthropic goals, driven by the desire for social change.
  - Risk tolerance: High tolerance for financial risks, with a willingness to accept losses in pursuit of social impact.
  - Emotional biases: Biases towards projects aligned with personal or organizational philanthropic missions.
- Situational uncertainty:
  - Market conditions: Limited concern about market fluctuations, with a primary focus on project-specific uncertainties related to impact potential.
  - Project-specific uncertainty: Emphasis on assessing the effectiveness and scalability of projects in achieving philanthropic goals.
- Controllability:
  - Perceived control: Belief in the ability to influence social outcomes through strategic philanthropic investments.
  - Risk management strategies: Limited engagement in traditional risk management strategies, with a focus on due diligence to ensure mission alignment and impact effectiveness.

Scale from 1 to 3, where:

- 1 indicates low perception or involvement.
- 2 indicates moderate perception or involvement.
- 3 indicates high perception or involvement.

- Subjective factors:
  - Finance First: 1 (Negative perception towards community bonds)
  - Impact First: 3 (Balanced perception focusing on impact and financial returns)
  - Philanthropy First: 3 (Positive perception towards community bonds with a sole focus on impact)
- Cognitive factors:
  - Finance First: 1 (Emphasis on financial metrics)
  - Impact First: 2 (Systematic analysis incorporating financial and impact metrics)
  - Philanthropy First: 3 (Systematic analysis focused on impact metrics)
- Emotional factors:
  - Finance First: 1 (Skepticism or distrust driven by financial considerations)
  - Impact First: 2 (Excitement and commitment driven by potential social and environmental impact)
  - Philanthropy First: 3 (Strong emotional connection to projects aligned with philanthropic goals)
- Situational uncertainty:
  - Finance First: 2 (Concern about market conditions and project-specific uncertainties)
  - Impact First: 2 (Consideration of impact-related uncertainties alongside financial uncertainties)
  - Philanthropy First: 1 (Focus on project-specific uncertainties related to impact potential)
- Controllability:
  - Finance First: 2 (Belief in the ability to influence investment outcomes through traditional financial strategies)
  - Impact First: 2 (Belief in the ability to influence investment outcomes through strategic impact-focused strategies)
  - Philanthropy First: 3 (Belief in the ability to influence social outcomes through strategic philanthropic investments)
- Confidence:
  - Finance First: 2 (Confidence driven by financial considerations)
  - Impact First: 2 (Confidence driven by the potential for impact alongside financial returns)
  - Philanthropy First: 3 (Confidence driven by the desire for social change)

Total scores align with the investor categories as follows:

- Finance First: Total Score (≤10)
- Impact First: Total Score (11–15)
- Philanthropy First: Total Score (>15)