

Social Change Ventures (Part III)

“When I came and spoke at BELIEVES the first time in 2014, the focus was on Social Enterprise in a company. The second time in 2015 the focus was on how Social Enterprise fits relates with each of us individually, and as a consumer. This time the focus is on impact investing,” said Jeff Woodward, Attorney at Taylor English Duma LLP, when he opened the November 15, 2016, BELIEVES session entitled “Social Change Ventures – Part III.”

What is impact investing?

According to Woodward, impact investing is purposeful investment in initiatives that can deliver measurable positive impact alongside financial return. The key elements involved in this are:

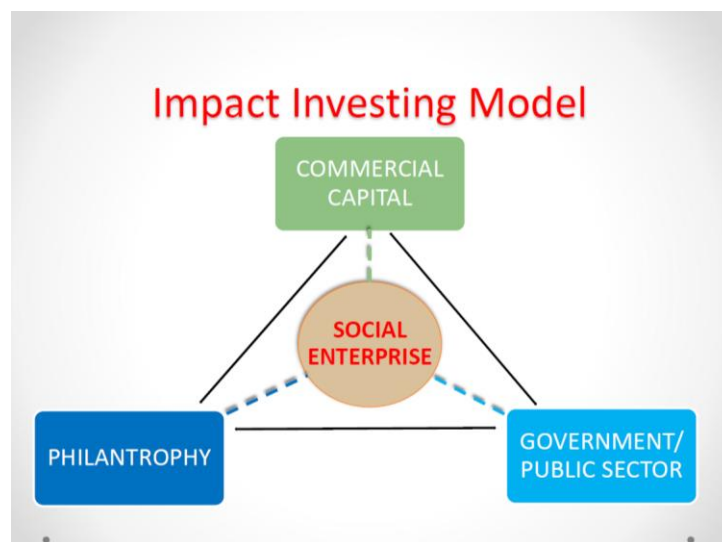


- investment in sustainable solutions,
- supporting scalable models,
- ability to measure impact(social and environmental performance) and financial risk and return, and
- potential to unlock significant amounts of private capital to complement public resources and charitable donations.

“Sustainable in this context refers to enterprises that don’t need infusions of capital and are impactful in local economies,” Woodward said. “One struggle in all this though is how do we know we’re investing with impact?”

Woodward and the attendees all agreed that ultimate impact involves lives changed.

In the impact investment model, there are three sources of capital: commercial capital, philanthropy, and government/public sector.



How does the third source of capital – philanthropy – get brought into the mix?

“Non-profits can create for-profit subsidiaries to receive equity investments in related revenue generating businesses,” said Woodward. “Non-profit really means non-private ownership. Sustainability is key in all this.”

First Step Staffing, a non-profit whose purpose is to provide a path out of homelessness and poverty with jobs, provides a good example of how all this can work, said Woodward.

“A small nonprofit staffing company purchased a much larger, for-profit staffing company to achieve immediate growth and scale in their ability to put the homeless to work. They were successful blending public sector funding from Invest Atlanta, philanthropic funding from two key foundations, commercial capital from a key commercial bank, and topped it off with partial seller financing. The commercial bank debt was made possible by the foundation agreeing to subordinate their return, thus helping to de-risk the use of commercial capital.”

Woodward indicated that in pursuing this impact investment, First Step had to work through questions involving the relationship between profit and impact. In doing so, however, First Step was able to ultimately be positioned to have greater impact towards its charitable purpose.

With the potential for greater impact, can faith-based organizations be impact investors?

Woodward believes so, sharing that they can channel enormous financial resources into investments for social impact. He feels that the Catholic Church, in particular, has two unique elements related to its potential as a faith-based investor – a history of working with people one-on-one, and a large and efficient distribution network.

“What better way to get a message out and have impact,” Woodward shared.

The focus on impact investing is something that has had the focus of Pope Francis since early in his papacy, convening both the First Vatican Impact Investment Conference in 2014 titled “Investing in the Poor: How Impact Investing Can Serve the Common Good in light of Evangelii Gaudium,” and then again this past June with the Second Vatican Impact Investing Conference titled “Making the Year of Mercy a Year of Impact for the Poor.”

“Evangelii Gaudium, Pope Francis’ First Encyclical to the Catholic People in 2013, is a great read,” and the moral and religious underpinning for the Church’s pursuit of impact investing. As a result of the two conferences, the Church is looking closely at using some of its resources to fund key programs as an impact investor, as well as looking for key funding from non-religious impact investors to help the Church’s own outreach programs grow and scale to more impact. In other words, the Church can be both ‘impact investor’ and ‘impact recipient.’”



Woodward then posed four questions to everyone in attendance to discuss at their tables:

- How does impact investing align with Catholic social teaching?
- How is it relevant for the Church?
- Do you think it is appropriate for the Church to become involved in economic issues, and in particular, impact investing?
- What is the Church already doing that, without too much radical change, would allow it to transition to rely on more of a market-based solution?

When the conversation returned from the tables, those in attendance had various thoughts to share with Woodward in response to the question he posed.

On the third question of whether or not it is appropriate for the Church to be involved in impact investing, Chadwick Smith, business intelligence consultant, said he felt it was but acknowledged the question the Church faces of finding the right balance.

“The Church is in a very unique position on how to do this,” said Smith.

On the fourth question, CTK Parishioner Charles Jones said, “The Church needs to be more amenable because the laity is getting more involved, so it’s not always downward, but also going upward.”

Lukasz Dominiak, legal assistant at Page Law LLC, agreed and said, “It has to be transparent, more reliant on technologies, and able to provide a market-based solution.”

John Heinz, co-founder and co-director of Centerform (an innovation hub for the future of Christian ministry) was then invited by Woodward to share a few words with everyone about how he sees the intersection occurring between church and work to close out the session.



“This is a very unique time and opportunity with social enterprise,” Heinz said. “In fact, we’re working on developing an ‘accelerator’ that brings in funding at the beginning, along with the opportunity to work with mentors so that what comes out is a viable business model that can be invested in.”

Heinz added that he’s interested in doing this for what traditionally would be considered Christian ministry, but also focus on what’s the “meaning” side in all this.

“It’s about shaping and forming people, not just business.”