Overview - A Journey to Social Company

Impact

- Producing more seaweed by using new technology
- Creating job opportunities for local women
- Providing better working conditions to employees

Limitation

- 100% manual work, limits production
- High cost, no economy of scale
- Job creation is limited in local area
- Lack of funding to boost distribution channels
Overview - A Journey to Social Company

“Appropriate Funding to social company will create a bigger impact”

01. Create more job opportunities for women
02. Build infrastructure to increase productivities
03. Grow Distribution Channels to sell more products
04. Increase financial returns that trickle down to the local community

Impact Money
Overview - A Journey to Impact Investing

Impact Investing ?!
### Overview - A Journey to Impact Investing

(REDF Form 990 IRS 2019)

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Prior Year</th>
<th>Current Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Revenue</td>
<td>0.9%</td>
<td>98.6%</td>
</tr>
</tbody>
</table>

#### Grants and Similar Amounts Paid

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Prior Year</th>
<th>Current Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Contributions and grants (Part VIII, line 1h)</td>
<td>10,012,142</td>
<td>11,446,062</td>
</tr>
<tr>
<td>9</td>
<td>Program service revenue (Part VIII, line 2g)</td>
<td>21,527</td>
<td>110,157</td>
</tr>
<tr>
<td>10</td>
<td>Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td>
<td>34,867</td>
<td>42,319</td>
</tr>
<tr>
<td>11</td>
<td>Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td>
<td>0</td>
<td>5,600</td>
</tr>
<tr>
<td>12</td>
<td>Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td>
<td>10,068,536</td>
<td>11,604,138</td>
</tr>
</tbody>
</table>

#### Grants and Similar Amounts Paid (Part IX, column (A), lines 1-3)

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Prior Year</th>
<th>Current Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 Benefits paid to or for members (Part IX, column (A), line 4)</td>
<td>3,683,884</td>
<td>5,294,186</td>
</tr>
<tr>
<td>15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)</td>
<td>5,458,760</td>
<td>6,140,617</td>
</tr>
<tr>
<td>16 Professional fundraising fees (Part IX, column (A), line 11e)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>17 Total fundraising expenses (Part IX, column (D), line 25)</td>
<td>695,539</td>
<td></td>
</tr>
</tbody>
</table>

#### Other Expenses

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Prior Year</th>
<th>Current Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)</td>
<td>4,099,934</td>
<td>4,564,190</td>
</tr>
<tr>
<td>18</td>
<td>Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)</td>
<td>13,242,578</td>
<td>15,998,993</td>
</tr>
<tr>
<td>19</td>
<td>Revenue less expenses. Subtract line 18 from line 12</td>
<td>-3,174,042</td>
<td>-4,394,855</td>
</tr>
</tbody>
</table>
Overview - Research Questions

Q1: How do economic models of impact investing organizations function differently in the Nonprofit and For-profit Sector?

Q2: What are the different perspectives on impact investing from Nonprofit and For-profit leaders?

Q3: How can a sustainable economic model for an impact investing organization be defined?
Impact Investing

Where am I supposed to go?
Methods and Approaches:

01. Capstone Topic
    Research Question

02. Literature Review
    1. Academic Journal
    2. White Papers
    3. Books
    4. Experts Opinion articles (HBS, SSIR, etc.)

03. Content Analysis
    1. Benchmark various impact investing organizations
    2. Financial Statements, and 990s forms

04. Expert Interviews
    Conducted ten different interviews, total 15h of time contribution by experts
What is Impact Investing?

NOUN: Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return (GIIN 2020)

- Individuals
- Foundations
- Nonprofit
- Banks
- Institutional Investors
- Others
Focus Area

Most Commonly Used Investment Vehicle

For-Profit Sector
- Private Equity Impact Fund

Nonprofit Sector
- Grant-Making Venture Philanthropy
Impact Fund - Private Equity Model

Traditional Venture Capital
Private Equity Impact Fund
Impact Venture Fund
Impact Debt Fund
Venture Philanthropy
Nonprofit

Forprofit
Nonprofit

Impact First
Finance First

Phil K. Yoon - Founder & General Partner, Big Basin Capital
Brian Trelstad - Partner at Bridges Fund Management & Professor at Harvard Business School
Hyun-Joo Je - CEO & Representative Director, Yellowdog
Doug Duckjun Lee - Founder & CEO, Tonic Member, D3 Jubilee
David Lynn - Founder & CEO, Mission Driven Finance
David Samuel - CFO, Robert Enterprise Development Fund (REDF)
Jed Emerson - Author, Toniic Member, Originator of Blended Value, Senior Fellow IMPACT Asset
Timothy Freundlich - Founder & Executive Director and Strategic Development Impact Asset
Nicholas Almeida - Budget Director and Chief Service Officer, San Jose, Mayor’s Office of Strategic Initiatives
David Greco - CEO at All Stars Helping Kids & President & CEO at Social Sector Partners...
Impact Fund - Private Equity Model

Limited Partners 1
Limited Partners 2
Limited Partners 3

Impact Fund
General Partners 1, 2, 3

Financial Investment
2% Management Fee

Impact Enterprise 1
Impact Enterprise 12
Impact Enterprise 3
Impact Enterprise 4
Impact Enterprise 5
Impact Enterprise 6

Financial Return
Social & Environmental Return
20% performance fee
Venture Philanthropy Model - Grant, Debt, Equity


Finance First

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Founder & General Partner
Big Basin Capital

Founder at Bridges Fund Management & Professor at Harvard Business School

Brian Trelstad
Hyun-Joo Je
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David Lynn
David Samuel
Jed Emerson
Timothy Freundlich
Nicholas Almeida
David Greco

forprofit

Impact First

Impact First
Perspectives on Investment Return from Nonprofit & For-profit Experts

**Impact Fund**

“In Venture Philanthropy, you are not making an investment but giving away the money.”

“Grant making is not an investment, an investment is needed to get value back”

**Venture Philanthropy**

“What we are asking for in return is social impact so we are truly social impact investors”

“The investment we made is to build a field of practice and knowledge, we are catalyzing a millions of dollars and other capital to contribute the growth of the field”

**Nonprofit**

“The main difference between Venture philanthropy and traditional Nonprofit is whether you are measuring what exact social and environmental outcomes have been created”
Another Definition of Impact Investing

Impact investments are the act of putting money, effort, time into companies or organizations to generate positive, measurable social and environmental impact alongside a direct or indirect financial return.
The Purpose of Impact Capital

What is your organization’s purpose for investing?

1. Seeding
   - To provide essential support to impact enterprises that have not yet achieved business sustainability
   - E.g. All Stars Helping Kids

2. Scaling
   - To help impact enterprises grow their size so that creating a large impact on society
   - E.g. Blue Meridian Partners

3. Feeling Gap
   - To help impact enterprises sustain their businesses that otherwise wouldn’t have funding from traditional financial market
   - E.g. Mission Driven Finance

4. Catalyzing
   - To catalyze mainstream investors to participate in impact investing sector to make a flow of capital
   - E.g. D3 Jubilee
How to build a Sustainable Economic Model?

1. Understand the purpose of impact capital
2. Build a system that allows capitals to flow in the right direction
3. Make good investment decisions & building good track records
4. Generate and measure the expected financial and social returns
5. Be able to recreate the investment process repeatedly

MNA - Master of Nonprofit Administration
Toward a Sustainable Impact Investing Model—Recommendation

The Purpose of Investing is to Maximize the Social Return

The Source of Income will solely rely on charitable money

Investment must pursue above market rate return and high risk while generating social impact

It is more meaningful to participate in the early stage of a company to grow with them than just participating in a high return investment

The most important thing is to have more financial return by doing investment
DESIGNING A SUSTAINABLE BUSINESS MODEL FOR IMPACT INVESTING
Jieun Lee, MNA - Master of Nonprofit Administration - Capstone Project

SUMMARY
This project explored various economic models of impact investing organization and provide different strategies to build a sustainable economic model for an impact investing organization.

PURPOSE
- Title: The purpose of this project is to help newcomers in the impact investing sector understand what is impact investing and how an impact investing organization’s economic model functions.

RESEARCH
RQ1: How Economic Models of Impact Investing Organization Function differently in Nonprofit and For-profit Sector?
RQ2: What are the different perspectives on Impact Investing by Nonprofit and For-profit Leaders?
RQ3: How to build a Sustainable Economic Model for an Impact Investing Organization?

METHODS
- Literature Review: Explored different academic journals, white papers, books, and experts opinion on different articles including SSR and HBR
- Analysis of Various Organizations: Analyzed representative impact investing organizations, such as Roberts Enterprise Development Fund, Blue Meridian Partners, Mission Driven Finance Fund, ImpactAssets, Yellowdog, O3 Jubilee, and Bridges Fund Management
- Experts Interview: Conducted 10 experts interviews, leaders in the Nonprofit and For-profit sector, from traditional venture capital to private equity impact fund, impact venture fund, impact debt fund, venture philanthropy, and to traditional nonprofit.

REFERENCES
Selected Reference


