

## A RECIPE FOR CHURCHES HYBRID STRUCTURES FOR IMPACT

*Our Churches have models built on a foundation that people who want to support doing good will do so by giving you money.*

**The binary approach we all grew up with in our culture is:**



Do good = Charity



Make money = Business

In other words, people will give you some of their profits out of their excess: the success of their companies or investments, to support your good works.

The philanthropic sector is often based on a scarcity mindset. It relies on generosity from those with the ability to give, also usually involving a power imbalance, resulting in a "Please, sir, I want some more", approach, like in Oliver Twist.

There is an important paradigm shift in this thinking is here, though it is like an incoming tide or a sprouting seed. Both take time for change to be seen, but can deliver better outcomes for everyone.

The ingredients for a different recipe are worth considering and ask yourself this: how might this new way of thinking change your approach to funding your next blue skies project?

The end result could be positive in one of two different ways:

1. First, as an organisation you create a structure that others can invest in; or
2. Second, you invest some of your funds in a venture that aligns with your mission.

Impact investments can be through debt (loans) or equity (shares). So, what are the ingredients? See the next page for those!



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## INGREDIENT 1



### Sources of Capital

Your wealthiest donors are likely investing for financial return in other areas of their life. Venture capital and wholesale investors and funds are all looking for good business opportunities. Large philanthropic, religious and family trusts sit on vast wealth - billions of dollars. Often they invest in term deposits / bonds that are unrelated to the purpose they were set up to address. Increasingly they are thinking about funding (equity) and finance (debt). KiwiSaver funds are starting to think more broadly about how they partner and where they invest (see Simplicity, Pathfinder, Generate). They and other funds are also introducing more investment opportunities that have impact at their core (no excuses for a lazy balance sheet).

## INGREDIENT 2

### A Renewed Focus on Impact when Investing

Investors are increasingly wanting impact beyond just a financial return. They are increasingly wary of companies that green or social wash, giving an appearance of impact but not truly delivering impact. Impact can even lead to higher returns than traditional 'safe' investments. Due to the Trusts Act 2019, trustees of large funds now have a duty to consider impact when investing (see our legal opinion at the [Impact Investing information hub](#)). More impact investing funds are emerging and they are growing and normalising this new mindset - look at [Mindful Money](#) and [Impact Investing Network](#) resources on this



## INGREDIENT 3



### Hybrid Legal Structures

A charity can set up an entity that allows for investment and financial returns while also advancing its purpose. Some examples include setting up a company which has investors, limited partnership with investors as LPs, setting up a fund which then invests in start-ups. We have written guides on how to do each of these.

## INGREDIENT 4

### Your Blue Skies Project

A charity can set up an entity that allows for investment and financial returns while also advancing its purpose. Some examples include setting up a company which has investors, limited partnership with investors as LPs, setting up a fund which then invests in start-ups. We have written guides on how to do each of these.



# PUTTING IT TOGETHER



Put all ingredients together and what might you make?

This shift in thinking is changing people's lives for the better – those who invest and those who benefit from the impact of the investing.

Think of your most ambitious project and look at your list of donors. If you went with an investment proposal that asked them to put in a small portion of their wealth, what might that unlock? Or alternatively, what might you invest your funds in that right now are in term deposits?

It is a mindset shift. Sure, donors will want assurance that they will help people without loss to themselves, and that is truly what can be achieved – and they may even get financial return too.

Are you ready for this mindset shift? It might allow you to think in new and disruptive ways about how you best advance your purposes. I'm happy to talk with your team or board if it helps to explain this more. We also help draft and create the legal structures you will need.

## GOVERNANCE: TIME TO UPGRADE YOUR RULES?

### ***Excerpt from the Faith in Action report 2024 by Steven Moe***

Churches and parachurch groups all have founding documents, but these may have been written on a typewriter and may not be looked at very often. That is about to change.

A renewed focus on governance is emerging encouraged by changes in the Charities Act 2005 which have just been introduced.

Those changes require that every three years a registered charity needs to review its governance procedures and whether they:

- Are fit for purpose; and
- Assist the charitable entity to achieve its charitable purpose and comply with the requirements of the Charities Act.

We are helping many who see this as a catalyst for Churches and parachurch groups to look at their rules and policies and processes and realise they need a refresh.

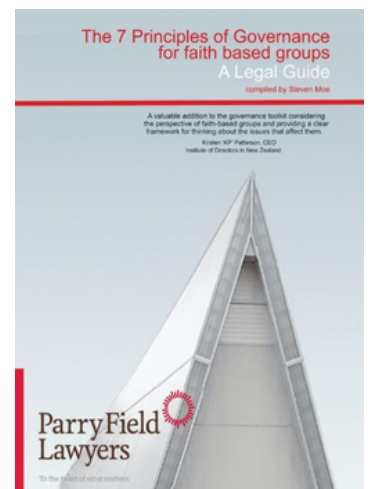
Such rules were not given by Moses and are not set in stone – they need to adapt and be flexible, so they are able to best allow the governance members to advance the purposes of the charity so as to maximise impact.

At the same time also keeping the board members legally safe as well by modifying the duties that may apply to such board members (to the extent permitted under the Trusts Act 2019 – another new piece of legislation).

The landscape is changing for charities and governance is of increasing importance, so it is good to see proactive approaches to this from many.

# FREE RESOURCES

Guides are available at [www.parryfield.com](http://www.parryfield.com)



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