

Appendix J

SRI Additional Resources

The following material is excerpted from *Community Investing: An Alternative for Religious Congregations Seeking a Social as well as a Financial Return*, Episcopal Network for Economic Justice, 1997.

Making It Happen in Your Congregation

A congregation exploring community investment for the first time must gather information and make decisions at several steps along the way. Following is a recommended process.

Designate an appropriate committee to explore this issue, and recommend

congregational policy and a program. Because this matter involves both the mission of the congregation and financial matters, it is essential that the committee include persons involved in the outreach ministry as well as members of the finance committee. The policy of the congregation should include:

1. The purpose of congregational investments. (A model policy follows.)
2. The level of congregational investment as a percentage of specified funds.
3. The community investment policy of banks in which we deposit congregational funds.
4. The assignment of responsibility for implementation and reporting under the policy.

Seeks potential partners in this process. Before starting think about whether there are other congregations in your area that might wish to be included in the process.

Working with others increases the potential pool of resources and involves more

people and energy. Your invitation may also involve congregations that might not have initiated the process on their own.

Understand the resources of the congregation. The committee should obtain a detailed report of the resources of the congregation and the investment opportunities and limits (if any) on these funds. In this respect the following questions should be addressed:

1. What are the total financial resources of the congregation including reserve accounts, special funds (trust, endowments, building funds, etc.), and operating funds)
2. How are these funds currently invested or deposited – checking accounts, money market accounts, short term CDs, long term CDs, stocks and mutual funds, etc.?
3. What is the current rate of return on each deposit or investment of the congregation?
4. How are the earnings from each deposit or investment used?
5. What are the needs of the congregation for liquidity. Which funds must be restricted to short term investments and which may be invested for more than one year?

Determine your congregation's social investment priorities. Is your congregation involved in a particular type of ministry such as the provision of housing or jobs or services? Are members of your congregation involved in community investment institutions or projects that could be the beneficiaries of community

focused investments? In this respect the following questions should be considered:

1. How can our congregation make the best use of the resources it has?
2. How should the social commitments of the congregation contribute to the investment policy?
3. How should financial consideration and social considerations interact when considering the use of resources?

Learn about community investing options in your area. Finding out about specific community investment opportunities for your congregation could be the most exciting part of this process. If you are not aware of CDFIs in your area contact the national associated listed at the end of each of the previously described CDFI types. You may also wish to determine if there are specific development projects in your community which need capital which your congregation could provide directly or through an intermediary financial institution. If no such opportunities exist in your neighborhood, expand your search to a larger area in order to find institutions which address your congregation's social investment priorities and match your financial resources.

List the opportunities for investment. As you explore investment opportunities, list the possible investment by type, capital required, return, term, and risk. Since all investing carries some level of risk, it may be helpful to compare your proposed investments with the conventional deposits and investments of your congregation.

Develop a portfolio plan. Consider the development of a specific plan on the use of the congregation's resources within the policy statement developed in step 1

(preceding) and with due consideration of each of the foregoing steps. The plan should match your resources to the need which most closely meets the societal goals of your congregation. If your congregation manages trust funds or endowments in which the donor has restricted the use of the principal, you may wish to consult an attorney concerning your legal responsibilities as trustee with respect to community investments.

Present the plan to the appropriate oversight committee(s). When a plan has been developed that speaks to the issues listed above, present the investment plan to the finance committee and the outreach committee. When approval has been obtained at that level, have the plan presented to the oversight committee of the congregation for final approval. That presentation should be made by the finance committee and the outreach committee (if appropriate). While it may generally be inappropriate to bring investment decisions to the full congregation, in some circumstances it may be desirable. The reasons for doing so are to involve the membership in the project and to strengthen the congregation's long term commitment to the chosen project or investment.

Share the plan with the congregation as a whole. Involve the entire congregation in your decision for community investing through educational events with ample opportunity for discussion. This process will provide individuals within your religious community the opportunity to learn a great deal about community investing and to consider the issues of stewardship and productive investment. Be sure to provide written information on how many members can individually participate in community investments. You might also consider holding workshops focused on community investing for individuals.

Monitor your portfolio. Once you have made your initial investment, a committee should be designated to monitor and report as appropriate on the investments – both in terms of what is being accomplished and whether the financial terms of the investments are being met. The CDFI with which you may have chosen to invest is likely to provide periodic updates of their activities, but more direct information can always be obtained through questions to the principals. As the makeup of the finance committee, outreach committee, and oversight committee changes, periodic updates should be provided so that all members understand your congregation’s ongoing community investments and strategies.

Share your congregation’s experience with others. After your congregation has developed an investment plan or made a specific investment, let others know about your involvement and encourage other congregations and individuals to do the same. It is a good idea also to permit, even encourage, the intermediary with whom you have invested to cite your congregation’s participation in their own publicity. Share your experience at meetings with other congregations by making presentations and by providing articles for publication in denominational newspapers. If you excite interest in other congregations, explore ways to collaborate on future community investment-related projects.

Take it to another level. Share the good news of your investments with larger denominational institutions such as religious schools, social service institutions, denominational funds, etc. Each of these organizations has the capability of depositing funds in credit unions or community development banks and of making investments in CDFIs as well. Members of your congregational boards and committees may have connections to board members of larger institutions who can encourage and advocate for these activities.

Summary of Community Investing Alternatives

Type of Institution	Type of Investment	Return on Investment	Minimum Investment	Remarks
Community Development Bank	Certificate of Deposit	Conventional	Usually \$1000 for 90 days to 5 years	Insured to \$100,000
Community Development Loan Funds	Loan	0 to 4%	1 to 5 years	Uninsured
Cooperative Associations	Equity	Variable, depending upon type	Variable	Minimum opportunity for individuals and congregations
Credit Unions	Deposit	Variable	30 days minimum	Insured to \$100,000
Microenterprise Funds	Loan/Equity	0 to 4%	1 to 5 years	Minimum opportunity for individuals and congregations
Venture Capital Funds	Equity	Variable	Variable	Uninsured

How to Evaluate the Financial Health of an Uninsured CDFI

With current financial information in hand, the most important information to look for includes:

- What portion of total capitalization is permanent or equity capital as against debt capital? (The standard for loan funds is about 15%.)
- How much money is kept liquid for loan repayment and interest and how is that amount determined? (The standard is about 20% of total assets for interest and loan repayments.)
- Are any interest or loan repayments to lenders in arrears? (None should be)
- What percentage of loans made in number and in dollars have not been repaid by the borrowers? (The standard is about 5% maximum.)
- Are the current loans diversified by type of borrower, size of loan, and geography of loan placements? (Diversification is desirable to avoid losses from one specific cause.)
- Does the fund finance operating costs and obtain equity capital from diverse sources? Diversification of the donor base is also desirable on the income side of the operation