



**SOCIAL
IMPACT
REPORT**

2018

**INVESTING
in SMALL
BUSINESS
and BIG IDEAS**

INVESTING *in* SMALL BUSINESS *and* BIG IDEAS

Too many people are struggling to make ends meet. In 2018 the unemployment rate dropped to a 17-year low, yet almost half of American workers are stuck in low-wage jobs; the number of new small businesses is at rock bottom; and race or where you're born are the biggest factors for financial success in life.

These challenges are key drivers behind growing income and wealth inequality, as there are fewer jobs that afford working people and their families dignity, financial security, and economic mobility.

At Pacific Community Ventures, we know things can be different. We envision a world of thriving communities where everyone has a fair shake. Our mission is to invest in small businesses, create good jobs for working people, and make markets work for social good. We achieve our mission through a combination of fair lending, free mentorship, skilled volunteerism, social impact measurement and management, and field-building research.

We're working with entrepreneurs and investors to create higher-quality jobs and more equitable communities. This report highlights our recent progress. We hope you'll join us on this journey.

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where everyone has a fair shake.*

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OUR IMPACT *in* 2018

INVESTING *in* SMALL BUSINESS



716

BUSINESSES

across 50 states
received access to
capital and mentorship



2,582

JOBS

created and retained at
the businesses we served



68%

of supported companies
grew their revenues



49%

added new jobs
in the year



16%

year-over-year median
revenue growth at supported
companies (vs. 6.1% for
comparable small businesses)



13%

JOB GROWTH
at our companies
surpassing national
and state rates (1.6%)

INVESTING *in* QUALITY JOBS



\$89,463,239

IN WAGES PAID

to working people from
underinvested communities



\$22 & \$18

FULL-TIME PART-TIME

average hourly
wages at supported
small businesses



67%

of small businesses provide
workers with their schedules
at least 2 weeks in advance



55%

of full-time workers
are eligible for
health benefits



28%

of full-time workers
are eligible for a
retirement plan



64%

of full-time workers
are eligible for
paid time off

INVESTING *in* COMMUNITIES



\$25B

INVESTMENT

capital evaluated
across asset classes



\$640M+

deployed or managed
using our customized
Impact Measurement and
Management Systems

INVESTING *in* RACIAL & SOCIAL EQUITY



87%

of the business we
funded are located in,
and/or hiring from, low-
income communities



71%

of the small business
owners we work with are
women or people of color

56% are people of color
52% are women

STRENGTHENING *small businesses*



SUPPORTED
9 JOBS

success story

PROGENY COFFEE

Maria Palacio is a 5th generation Colombian coffee farmer and the founder and CEO of *Progeny Coffee*. When we met Maria, her production was constrained by the number of hours she could secure at a shared roaster she had been renting. She had one of the best business problems you can have—she couldn't keep up with growing demand! She wanted to open her own roasting and retail facility but needed the capital to purchase inventory and hire employees. A loan from PCV enabled this expansion, and also gave Maria access to our portfolio of volunteer advisors. In 2018 Maria grew her revenues by 25× the year before.

The number of new small businesses has been dropping each year for a generation, and now it's at an all-time low. This is a major problem for our economy and our communities: there are strong relationships between locally-owned businesses and community well-being, such as lower poverty rates, increased levels of civic engagement, and lower rates of crime and homelessness. These are businesses and communities that aren't benefiting from "startup culture" and the venture capital that drives it. Women and people of color start more small businesses than anyone else, and those businesses create jobs and opportunities in underinvested communities. Women and business owners of color are being left out—they receive less than 5% of venture funding and are five times as likely to be turned down for loans.

As a community development financial institution (CDFI), getting capital into the hands of these job-creating small businesses is our top priority. In 2018 we funded **31 new California small businesses with loans (averaging \$85k)**. Those businesses had a whopping **33% job growth**. **95%** of our dollars went to women and people of color, and **90%** of our dollars went to businesses in underserved neighborhoods.

We also know that small business owners need more than just a check to be successful, and 2018 was another record-breaking year for our small business advising program. We matched **716** small businesses with a pro bono advisor in 2018. PCV business advisors volunteered **4,729 hours**—that's **\$709,369 worth of free advice and coaching**. Our advisor network is spread across **all 50 states**; **46%** of our advisors are or have been small business owners themselves, and **48%** are people of color. Even as our program continues to grow, we're laser-focused on proving the best-in-class mentoring experience for our clients. **Our average satisfaction score was 8.4 out of 10.**

In 2018,
PCV funded:

31

California
small businesses

33%

job growth at these
small businesses

95%

of our dollars went to
women and people of color

90%

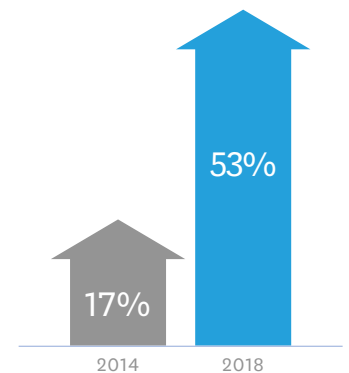
of our dollars went to business
in underserved neighborhood

We offer our business advising platform to the employee volunteers or small business customers of like-minded organizations across the country. In 2018 we launched or deepened partnerships with organizations such as **Bank of the West, eBay, and Capital One**, and fellow community investors like **1863 Ventures** in D.C., **Metropolitan Economic Development Association** in Minnesota, and **Initiative for a Competitive Inner City** in Boston to bring our program to their small business customers and offer volunteer opportunities to their employees.

We've received increasing requests from entrepreneurs for advising that can help them hire and retain employees. Small business owners want to do right by their workers and are often unsure of how to do so in ways that make sense for their business.

By investing our dollars and people in small businesses, we've shown that we can create jobs with good wages, benefits, flexible schedules, and more. In the last year, we've received significant investments from the **New World Foundation and Federal Home Loan Bank of San Francisco's Quality Jobs Fund, JP Morgan Chase's Entrepreneurs of Color Fund, Citi Foundation's Community Progress Makers Fund**, among many others. These investments are accelerating our work. We're also expanding partnerships with the **Aspen Institute** and other national organizations to pilot **Good Jobs, Good Business**, a first-of-its-kind practical toolkit to help small business owners create jobs that boost the bottom line.

In 4 years, PCV has grown the percentage of our loans going to people of color by 212%.



SUPPORTED
11 JOBS

success story

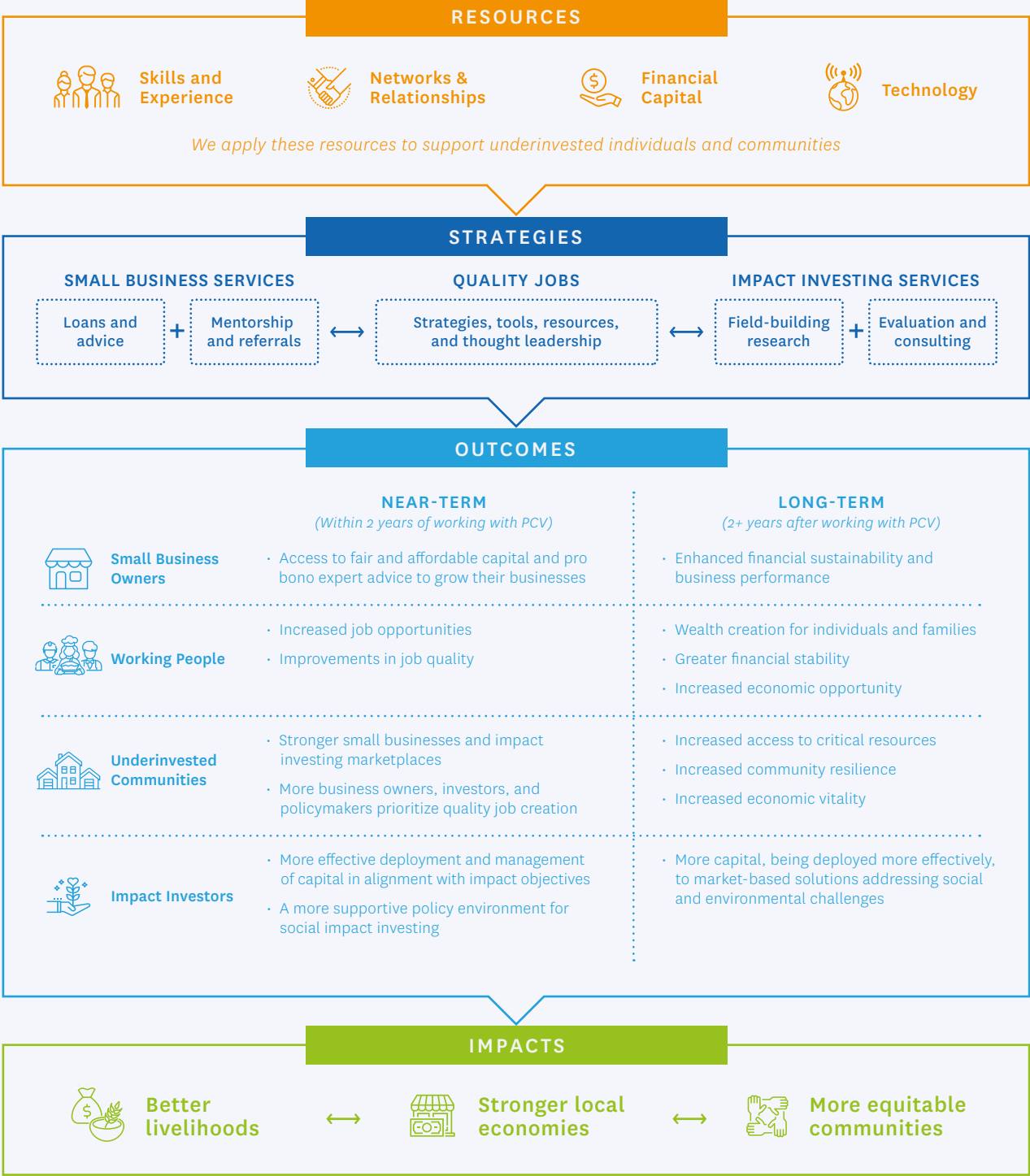
THE GOOD EARTH SCHOOL

The Good Earth School is a preschool in Kensington, California, that offers early childhood education for children 18 months to 6 years old. The school is inspired by the Reggio Emilia approach to education, which means a child-centered, on-going emergent curriculum. Founded by Gail and Alan Pavlosky, it's the only preschool that serves the communities of El Cerrito, Kensington, Albany, Richmond and Berkeley with nature-based instruction. Even though they had two decades of experience running successful businesses, their bank still declined to help them get their new school up and running. So they came to PCV, and we happily funded them! In 2018 Gail and Alan grew their revenues by 325x the year before.



Our Theory of Change

Pacific Community Ventures envisions a world of thriving communities where everyone has a fair shake. Our mission is to invest in small businesses, create good jobs for working people, and make markets work for social good.



Creating QUALITY JOBS

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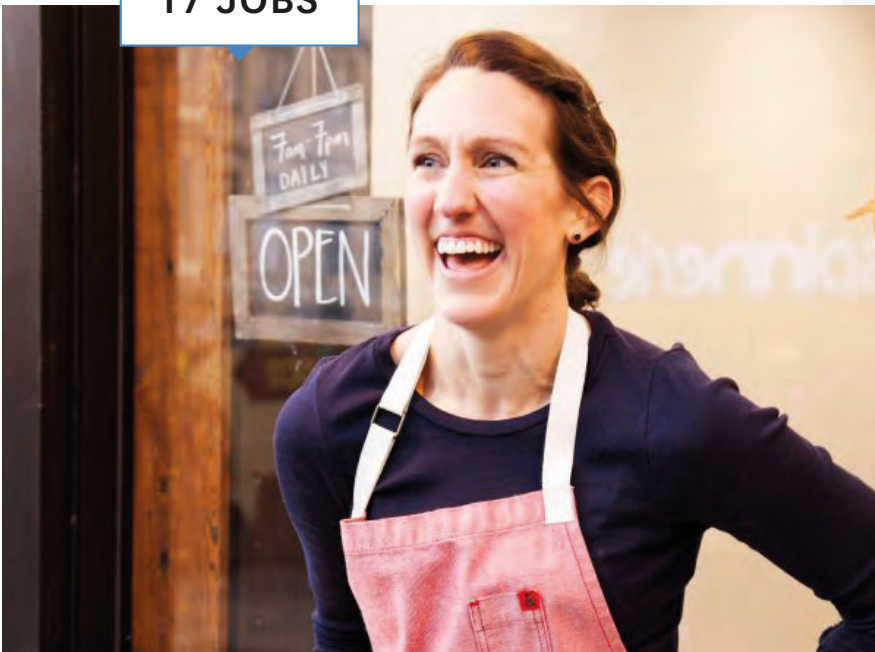
We believe that as a society, we simply must do better at creating jobs that are good for workers, good for business, and good for communities.

—

If you glance at official numbers in the news, the economy appears to be doing just fine. Unemployment is down, and household incomes are up relative to the recession years. Working Americans know a very different reality. More than one-fifth of adults are behind on their bills, more than one-fourth skipped necessary medical care in 2017 because they were unable to pay for it, an average working family can't afford to buy a home in more than 70% of the country, and four out of 10 say if they needed to come up with \$400 they'd have to sell something or borrow the money. That means that millions of American families are only one injury, engine problem, or new baby away from financial catastrophe.

We believe that as a society, we simply must do better at creating jobs that are good for workers, good for businesses, and good for communities. As part of our effort to elevate the importance of quality jobs in building wealth and opportunity for everyday Americans, PCV has engaged foundations, CDFIs, and other impact investors—as well as policymakers, community advocates, government, and business—to identify practical solutions to support the growth of good jobs nationally. PCV has conducted field-leading research around quality jobs (*Moving Beyond Job Creation*, 2016; and *Public Policy and Investments in Quality Jobs*, 2017), and in 2018 we developed *Good Jobs, Good Business: a practical toolkit to help small business owners create jobs that boost the bottom line*, and piloted it with other CDFI partners.

SUPPORTED
17 JOBS



success story

BATTER BAKERY

Jen Musty, owner of Batter Bakery, identified an opportunity to invest in employee development to boost retention and increase retail sales. She worked with *Good Jobs, Good Business* and advisor Anne Claire Broughton, Principal of Broughton Consulting, LLC, who brought extensive expertise in employee engagement, particularly Open Book Management. Jen began scheduling regular trainings with the goal of helping them understand why Batter's products are unique and implemented monthly retail sales targets with engaging and cost-effective rewards to incentivize proactive sales to customers. Selling baked goods is an aesthetic and detail-oriented business, and Jen also used the toolkit to roll out an innovative Instagram training tool.

*In 2018 we and our CDFI partners piloted **Good Jobs, Good Business**: a practical toolkit to help small business owners create jobs that boost the bottom line.*

success story

DNA MOTOR LABS

Rodrigo Cedeño Jr, owner of DNA Motor Labs, used *Good Jobs, Good Business* to invest in professional development opportunities to increase employee retention and build a stronger community at his motorcycle repair shop. This included implementation of Performance Development Meetings, which are structured conversations with employees, where Rodrigo works with employees to set goals, celebrate victories, and discuss areas for growth. Rodrigo worked with longtime advisor, Ryan Rasieleski, a Revenue Management Analyst at the Hertz Corporation, whose skills in finance, business development, and scaling operations enabled them to effectively expand the business and tackle employee-related challenges.

The toolkit provides practical tips, guidance, and examples for reducing staff turnover and enhancing business results by creating jobs that pay higher wages, offer benefits, provide stable schedules, and help employees build both skills and wealth. We focused our pilot on the retail sector with grant funding through the Reimagine Retail Initiative, a project run by The Aspen Institute and supported by the Walmart Foundation. More than one in ten Americans work in retail—more than manufacturing, construction, or mining and the industry has a high concentration of low-quality jobs.

We've seen promising results in our pilot of *Good Jobs, Good Business*, with small businesses implementing employee engagement strategies, training and promoting workers into management positions, and introducing retirement benefits while reporting boosts in morale, increased sales, and stronger workplace cultures. We're incorporating the feedback the small businesses, PCV business advisors, and CDFI and workforce development partners have shared with us to improve the toolkit so it can be made available to small businesses across the country. We see tremendous potential for *Good Jobs, Good Business* to help small business owners improve job quality in a way that balances their business needs and bottom lines. We're excited to share this resource publicly via a new website in the Fall of 2019, and to develop and expand partnerships with CDFIs and other small business service providers to help them use the toolkit to support small businesses in their own communities.

SUPPORTED
6 JOBS





STRENGTHENING *communities*

At the same time that we're working directly with small businesses to support their growth, we're also working with larger organizations to drive major investments that create expanded access to human rights such as good jobs, affordable housing, and healthy food. For more than 20 years we've used our expertise to show investors how to put their dollars to work benefiting families, our communities, and our environment. According to the Global Impact Investing Network, the impact investment market accounts for \$502 billion in capital and the demand for sustainable and impact investing keeps growing.

We're utilizing impact measurement, both before and after investments are made, to better understand what works in order to ensure that capital drives social and environmental good more efficiently and effectively. We've raised over \$5 million in investments to support quality job creation nationally, and \$4 million in funding to support our field-building research.



Quality job
creation nationally

\$5+
MILLION

**INVESTMENT
MADE TO DATE**



Field-building
research efforts

\$4+
MILLION

**RAISED
TO DATE**





In 2018 we worked closely with a number of values-aligned clients including:



Foundations. We developed an impact measurement and management approach for the **MacArthur Foundation** in connection with the Benefit Chicago Initiative to help examine how

investments are supporting wealth building, job readiness, and job creation in the Chicago region. We also evaluated impact investments made by the **Kresge Foundation's** Social Investment Practice in 2012 to understand how the investments have expanded opportunity, strengthened neighborhoods, and improved quality of life in communities as well as how the foundation's investment dollars and support contributed to these results.



Institutional Investors.

We helped **Baillie Gifford** create logic models to inform its public equity investment strategy, and ultimately support targeted impact. As a natural

extension of this work we assisted in developing the inaugural impact report for the Positive Change strategy. We also continued several multi-year collaborations with clients. We supported **Mercy Investment Services'** impact measurement and management to inform investments that further their religious values. We also continued to support **CalPERS** in conducting impact data collection, analysis and reporting on \$25+ billion in investments highlighting their California investments and the benefits they generate statewide.

PCV spent much of the year focused on our **Impact Due Diligence Initiative**. We will be publishing our findings in two reports in 2019, highlighting best practices and offering practical, step-by-step guidance for impact investors to assess impact pre-investment.



Healthy Food Access.

We are continuing to conduct a multiple-year developmental evaluation to support the **Michigan Good Food Fund** in promoting healthy food

access, job creation, and racial and social equity through investments in good food enterprises across the state's food value chain. We also began work on a multi-year developmental evaluation for California's healthy food financing initiative, **California FreshWorks**, a program to increase access to affordable, healthy food in low-income and underserved communities in California.



CDFIs. We helped **Community Housing Capital** design and implement an impact measurement and management system to inform their affordable

housing investments and report on the impact of their work—including 2,018 tenants housed in 2018. We also helped **BlueHub Capital** develop an impact rating tool to help them identify and prioritize investments that further their mission of building healthy communities.

In 2018 we continued our field building efforts with roles in the **GIIN's** Navigating Impact Project; supporting field-wide efforts to help investors with the "how-to" of managing impact; as a contributor to the **IRIS+ asset manager working group**; and collaborating with impact investors globally through the Impact Management Project to establish consensus and norms for impact measurement and management. In support of the field's efforts around impact measurement and management, PCV spent much of the year focused on our **Impact Due Diligence Initiative**. We will be publishing our findings in two reports in 2019, highlighting best practices and offering practical, step-by-step guidance for impact investors to assess impact pre-investment.



SUPPORTED
\$100M+
 OF AFFORDABLE
 HOUSING

case study

COMMUNITY HOUSING CAPITAL

Affordable housing investments help boost economic mobility, reduce poverty and homelessness, improve health outcomes, and strengthen communities and local economies. Community Housing Capital finances the creation and preservation of affordable housing. An increasingly important role since the end of the last recession as the number of funding sources available for affordable housing has decreased. To fuel its sustainable growth, they enlisted PCV to develop a rigorous approach to impact measurement and management that enables them to more effectively target, and ultimately manage, the social benefits of their lending. This in turn has improved communication and helped attract more diverse sets of investors.

case study

BAILLIE GIFFORD

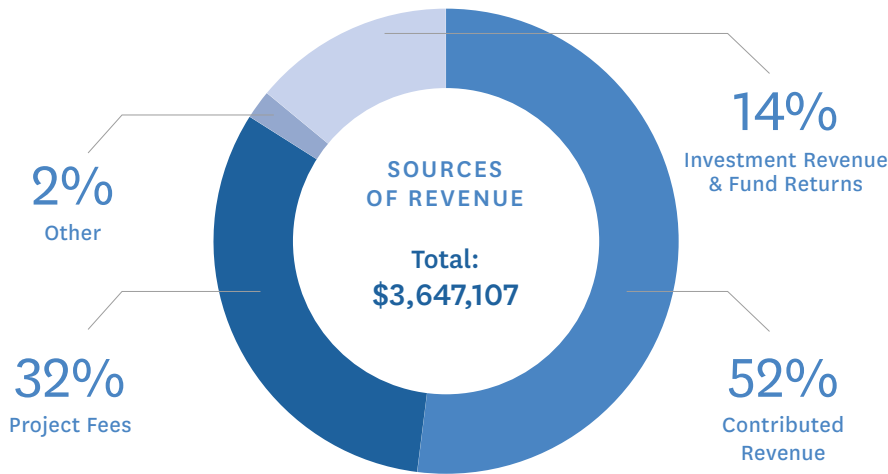
Change takes time. Social and environmental challenges such as poverty and climate change cannot be solved with a short-term mindset. Baillie Gifford is a 110-year old investment firm whose Positive Change strategy supports companies taking actions that will be beneficial for their business, society, and the environment. PCV worked with Baillie Gifford on identifying how their investment strategy would align with and contribute to the UN Sustainable Development Goals. In addition, PCV created logic models for the strategy to inform investments for their impact themes like Social Inclusion and Education, Environment and Resource Needs, and Healthcare and Quality of Life.



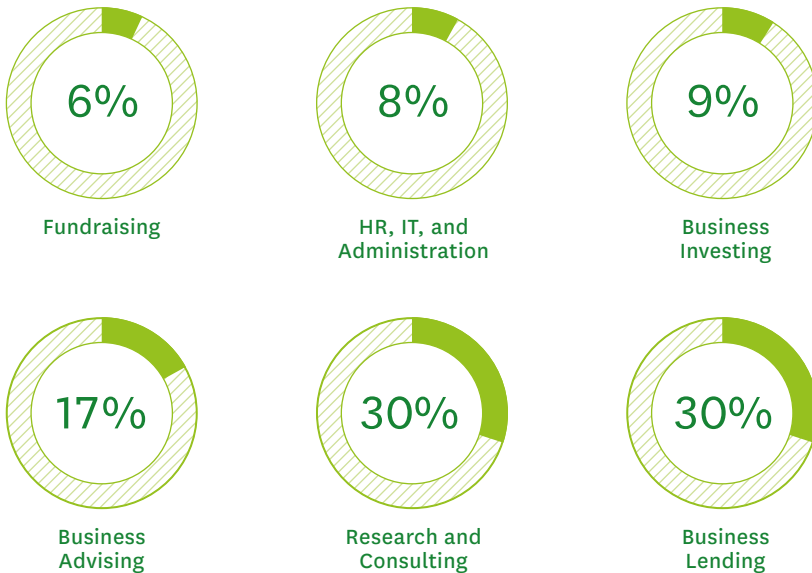
RAISED
\$240M+
 FOR NEW
 IMPACT STRATEGY



2018 Financials



EXPENSES BY CATEGORY Total: \$3,373,262



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Visit www.pacificcommunityventures.org to make a donation or volunteer as a business advisor.

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