



SK2 Fund's mission is to accelerate transition to a more equitable and sustainable world.

We do this by using creative capital to help socially and environmentally committed small businesses and related initiatives succeed.

Creative capital (also called integrated capital) is the coordinated use of varied forms of funding in service of the overall mission. For SK2 Fund, creative capital supports our core Thrive Capital program, grassroots impact investments, a 100% mission-aligned endowment portfolio, and nonprofit sector grants. All SK2 initiatives accelerate transition to a more equitable and sustainable world by modeling the transformative power of small business when it prioritizes people and planet.



Ecofiltro, Guatemala



INTENTION

Roughly 2 years ago SK2 Fund decided to move 100% of our endowment into mission and values-aligned investments. Most foundations invest 95% of their endowments without regard, and in some cases, opposition to their charitable mission objectives.

We did this to:

- ↔ Maximize social and environmental impact in service of our mission objectives
- ↔ Challenge traditional foundation and wealth management practice that separates how money is made from the good it can create
- ↔ Justify the outsized privilege foundations enjoy by devoting all of our resources to creating a better world, not just 5% of the income from a passively invested endowment

But how do we know our 100% impact endowment is actually accelerating the transition to a more equitable and sustainable world? Without closer examination of both quantitative and qualitative data, the best we can hope for are unsupported assumptions.

We want to validate whether our strategy is working, and this report based on a simplified measurement framework (next page) is an attempt to do that. We're in it for the long haul, and welcome your feedback as we go forward.

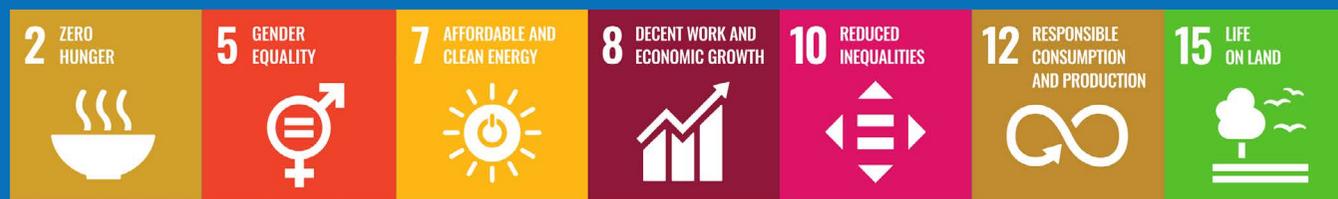


Conjeruma, Nicaragua

FRAMEWORK

SK2 Fund is committed to improving our measurement and reporting of social and environmental impact. We selected an impact measurement framework based on the [UN 2030 Sustainable Development Goals](#) (SDGs). The SDGs are a globally recognized and customizable framework for aligning with and measuring for 17 different impact categories. SK2 Fund prioritizes the mission-aligned SDGs shown below. One can get lost in the weeds of SDG data measurement, so we've chosen to keep it simple. For each of our seven priority SDGs, we measure 1 or 2 broad metrics that most closely represent SK2 Fund's mission objectives.

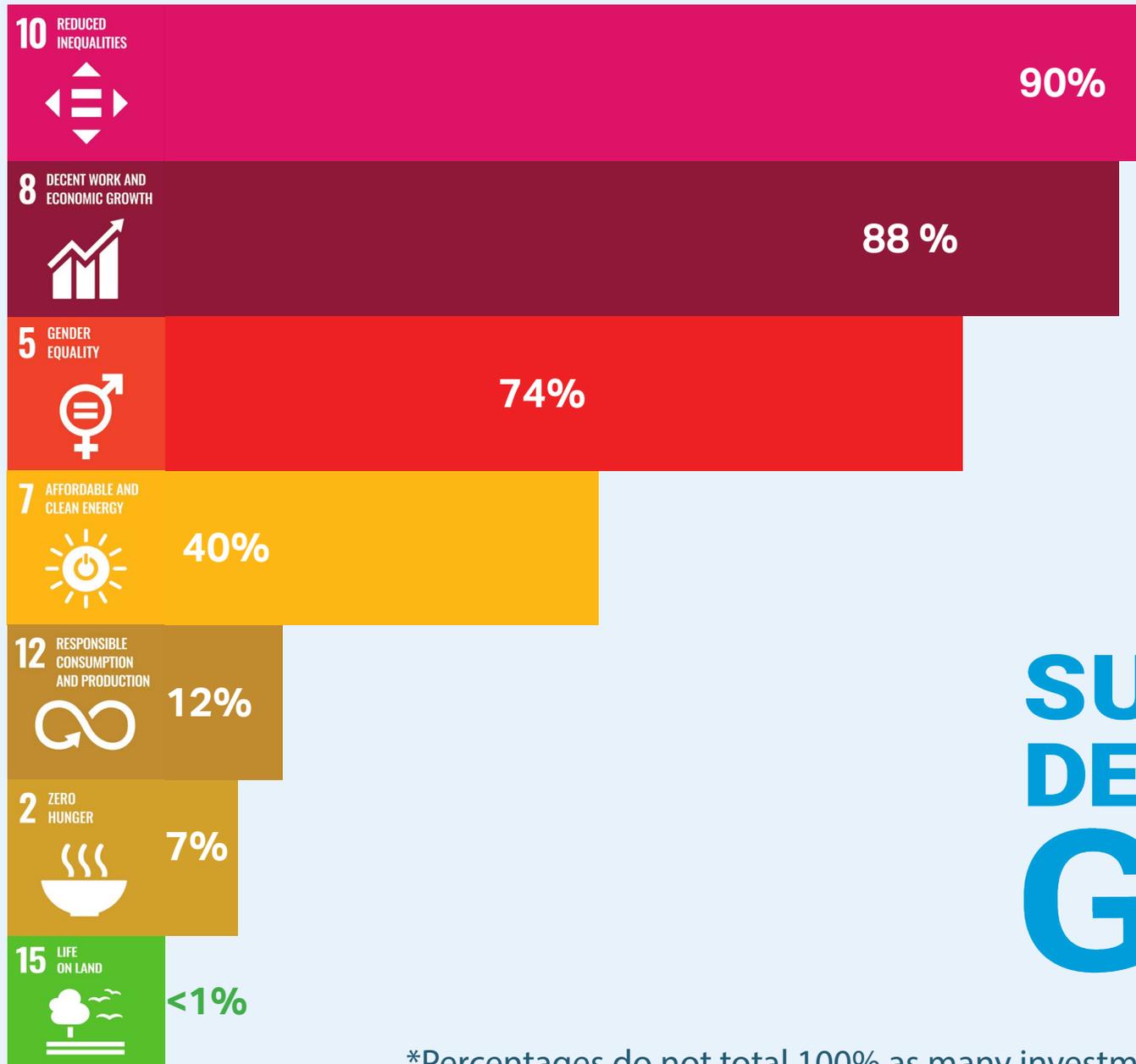
The numbers detail only the total aggregate impact delivered and reported on by our private sector investees, not the proportion that our investments supported. We acknowledge the impact data presented is not perfect or complete, and there are some omissions, inconsistencies, and explanations behind some of the numbers. We have done the best we can as a lightly staffed organization to collect self-reported data from investees and measure what we consider most important on a portfolio-wide scale. Going forward, we'll continue prioritizing our qualitative storytelling to share more clearly how investee stakeholders' lives are being affected, and lift up more of their voices.



SDG ALIGNMENT

Impact portfolio as of December 31, 2021: \$11 million

Investment Dollars Supporting



**SUSTAINABLE
DEVELOPMENT
GOALS**

*Percentages do not total 100% as many investments contribute to more than one SDG

IMPACT HIGHLIGHTS SUSTAINABLE DEVELOPMENT GOALS



End hunger, achieve food security, and promote sustainable agriculture

SK2 aims to increase smallholder farmers' ability to increase food production and profitability while expanding sustainable and regenerative agriculture practices.

- ↔ **27** smallholder farmers implementing sustainable management practices
- ↔ **70** hectares of farmland under sustainable management



Achieve gender equality and empower all women and girls

SK2 promotes gender equality by redirecting investment capital to women entrepreneurs and leaders.

- ↔ **463,509** small businesses, investment funds, and individual microenterprises led by women*
- ↔ **2,003** women in management leadership positions*

**Incomplete gender leadership data received from some investees*

SUSTAINABLE DEVELOPMENT GOALS



Deetken Ilu Women's Empowerment Fund, Latin America

7 AFFORDABLE AND CLEAN ENERGY



Ensure access to affordable, reliable, sustainable, and modern energy for all

SK2 supports global energy diversification away from fossil fuels to renewable energy sources and more efficient infrastructure. In particular, we're looking for ventures that improve access to renewable energy technologies for disadvantaged populations, along with associated improvements in livelihoods.

↔ **5,008** households gaining access to renewable energy and/or energy-efficient infrastructure

8 DECENT WORK AND ECONOMIC GROWTH



Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all

SK2 supports grassroots entrepreneurship and small business expansion. We prioritize businesses combining inclusive employment with enhanced wages and benefits for women and persons of color.

↔ **48,907** total jobs supported/created

↔ **29,502** jobs for women supported/created

↔ **10,766** jobs for persons of color supported/created*

**Incomplete ethnicity data received from some investees*



Reduce inequality within and among countries

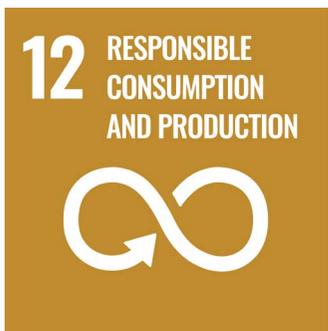
To address historical inequities in access to capital, SK2 is expanding our investments in entrepreneurs and leaders of color. We also prioritize businesses committed to providing people of color with leadership opportunities and shared ownership options.



↔ **1,996** small businesses, investment funds, and individual microenterprises led by persons of color*

↔ **180** persons of color in management leadership positions*

**incomplete ethnicity leadership data received from some investees*



Ensure sustainable consumption and production patterns

A core SK2 value is supporting more environmentally responsible business models. Examples of businesses doing this include implementing more sustainable business practices such as sourcing more sustainable raw materials; reducing pollution and waste; recycling and converting by-products into sustainable and beneficial products; and becoming more energy efficient.

↔ **311** businesses using more sustainable materials, repurposing or recycling production materials or waste, reducing emissions, energy use, etc.

15 LIFE ON LAND



Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

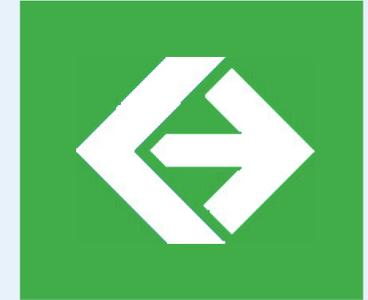
The SK2 family has a long history of supporting land conservation efforts focusing on preventing deforestation and land degradation through conservation and sustainable land management.

↔ **10,000** hectares of forestland, mountain, or other biodiverse ecosystems under sustainable management

Viba Banana, Vietnam



DEMOGRAPHICS



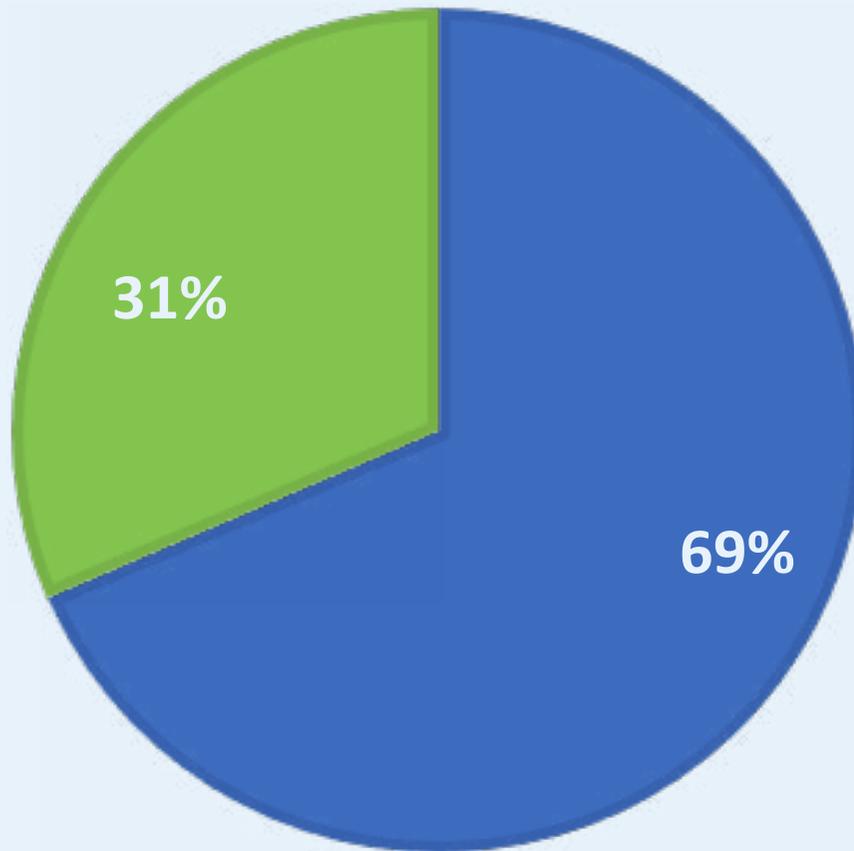
Beyond measuring for specific SDGs, SK2 Fund is also committed to helping address ongoing inequality in access to investment capital for women and entrepreneurs of color. We are holding ourselves accountable to redirecting our own investment capital flows by measuring and disclosing these numbers publicly.

We have made some initial progress, but still have a way to go to realize more balanced gender and racial representation across our endowment portfolio.

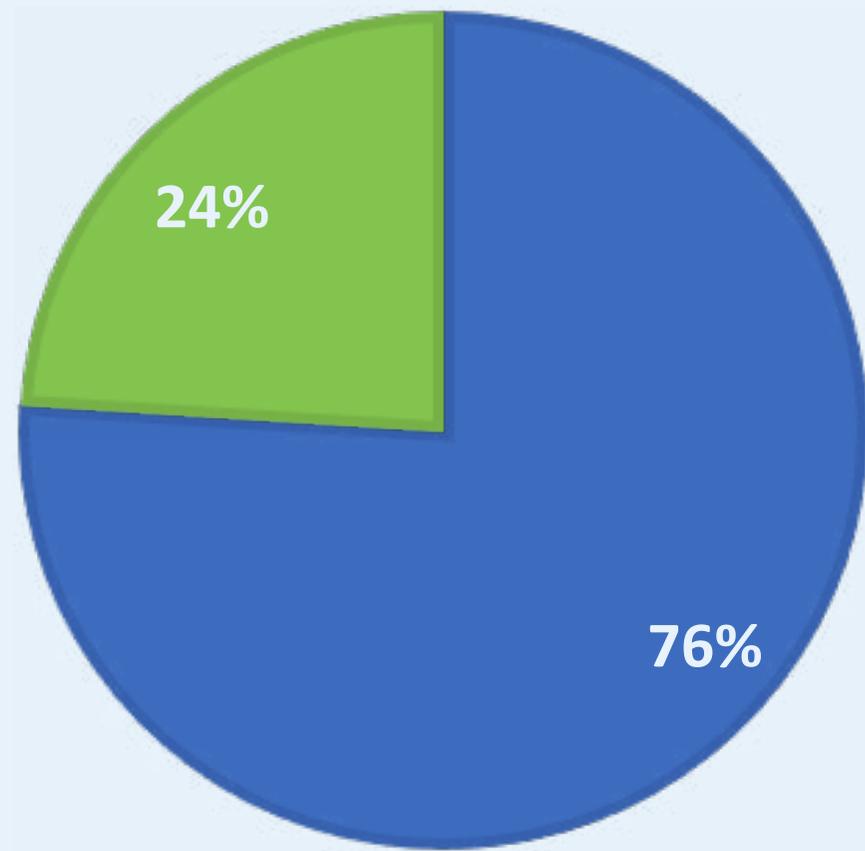
GEOGRAPHY & GENDER

By Investment Value

Primary Location
INTERNATIONAL UNITED STATES



Company CEOs
FEMALE MALE



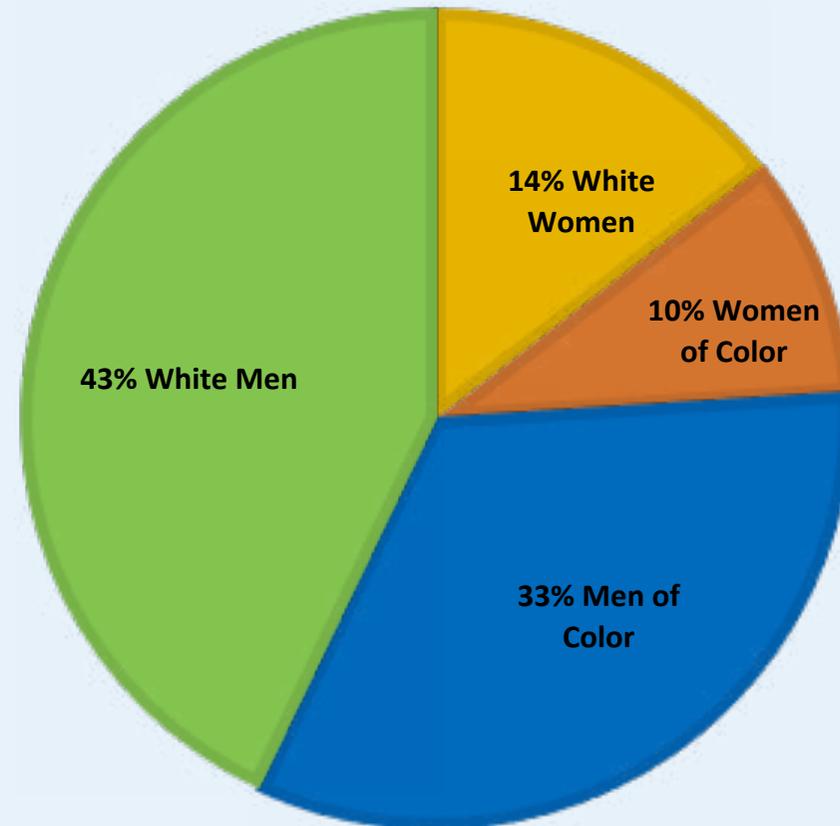
SK2's goal is equal geographic and gender balance across our endowment

RACIAL COMPOSITION

By Investment Value

- White 57%**
- Black 23%**
- Latinx, Hispanic 16%**
- Indigenous 0.5%**
- Asian 0.3%**
- Other/Opt out 3.2%**

Company CEOs



SK2's goal is equal gender & racial representation across our endowment

IMPACT PROFILES

Cash

One of the easiest ways to be an impact investor is to move cash out of big corporate banks and investment brokerage accounts into CDFIs (community development financial institutions), credit unions, and nonprofit financial organizations with mandates to make loans to disadvantaged populations in LMI (low and middle income) communities.

CNote > \$250k FDIC-insured money market account > woman-led lending platform that invests in Community Development Finance Institutions (CDFIs) and low-income designated credit unions across the United States.

As of 2021 year-end, CNote has helped to create or maintain over 1,500 jobs across the US.

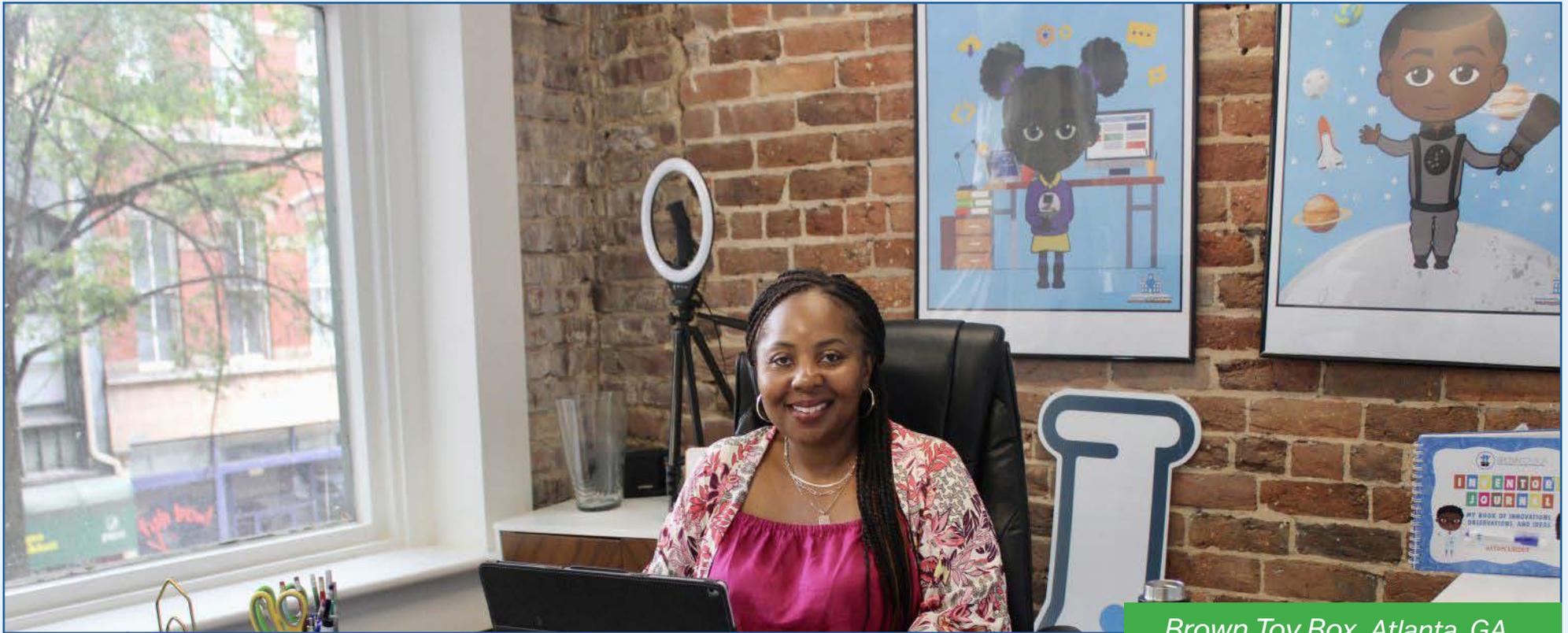
↔ **82%** of dollars lent to people and communities of color

↔ **72%** of dollars lent to women-led businesses

↔ **61%** of dollars lent to low- to moderate-income communities



**Note there is overlap when a borrower fits more than one category.*



Brown Toy Box, Atlanta, GA

Financed by one of CNote's CDFI partners, [Brown Toy Box](#) is a children's educational products company that aims to disrupt generational poverty by focusing on Black children and expanding possibilities for their lives. Brown Toy Box introduces STEAM (Science, Technology Engineering, Arts, and Math) to Black and Brown children and provides early exposure to career opportunities. They do this through retail, selling STEAM kits and toys, and in partnerships with Title 1 schools (high-poverty schools). Brown Toy Box is planting the seeds for the next generation to have relevant skills for employment, decent jobs, and entrepreneurship.

Business Loans

SK2 is committed to providing flexible, affordable, and patient capital to socially and environmentally committed small businesses positively impacting their communities in emerging economies. While these “missing middle” small businesses are too small and risky for most commercial banks and impact investors, they are an investment priority for SK2.

Ilumexico > \$35k loan > social enterprise providing solar energy systems in Mexico > co-investment with lead investor **Beneficial Returns**.

Ilumexico promotes clean energy by providing affordable, reliable, and renewable solar energy systems throughout Mexico, largely in off-grid communities like Puerto Chale, a fishing community in Baja California Sur. Residents previously without power now have an affordable, clean solar energy system that is fundamentally changing their lives.

Pedro, a fisherman from Puerto Chale, previously spent \$90 twice a week for ice to preserve his catch. “The fish goes bad very quickly, and we only earn 3 to 4 pesos per kilogram. The ice and gas are costly, so it is not a good business for me. My dream was to have a fridge,” shared Pedro. Thanks to Ilumexico, Pedro now has a solar-powered refrigerator that keeps his fish fresh at a fraction of the cost.



Loan Funds

Investment funds making loans to socially or environmentally committed businesses are a great way to diversify fixed-income portfolios while reaching an exponentially greater number of deserving enterprises.

WCCN > \$350k debt investment > Working Capital for Community Needs (WCCN) is one of the first social impact funds in the United States that creates opportunities for access to microfinance and services supporting low-income entrepreneurs in Latin America.

As of the 2021 year-end, WCCN has helped to create or maintain over 30,000 jobs.

- ↔ **24,847** loans provided to low to moderate-income communities
- ↔ **16,647** loans provided to women and women-led small businesses



WCCN client, Guatemala





WCCN client Antonia Reyes, Mexico City

Antonia Reyes is a shop owner, food vendor, and seamstress outside of Mexico City. Antonia's storefront teems with fresh papaya, jicama, cucumbers, and cactus, which she sells in front of the local preschool as parents drop their kids off in the morning. Hanging on a rack on one end of the store are vibrant balls of yarn alongside items of traditional clothing.

Antonia has always been involved in preparing and selling food, from fried plantains to ice cream to fish. However, she hasn't always been able to offer the abundance of products she does now. Five years ago, her husband, who worked with her at a small general store, was electrocuted by an exposed live wire and lost the ability to walk. Their business went under shortly after.

The family of six struggled as their income dropped, and they sometimes ate fewer meals as they tried to stay afloat. Then, Antonia learned about WCCN partner Itaca Capital. After taking out a \$700 microfinance loan for new business space and merchandise, Antonia feels better equipped to handle life's unexpected challenges and celebrate new milestones in her life and business. "There's better economic stability and if I have a need for something, I can get it thanks to my business and credit from Itaca," she says.

Equity Funds

Traditionally women and entrepreneurs of color struggle to access venture capital, despite widely documented outperformance. Investing in funds led by or supporting such entrepreneurs helps close this gap, while promising higher returns that traditional bias fails to recognize.

Astia Fund > 900k equity investment > woman-led venture capital fund investing in companies that are led by inclusive teams with women leaders.

Astia Fund investee **Pallet**, founded by CEO Amy King, is the leader in rapid-response shelter villages that combine the dignity of personal space with the healing of the community. Originally designed to serve as transitional housing spaces for people experiencing homelessness, Pallet's safe and scalable shelter designs have since developed as solutions for disaster relief and temporary workforce settlement. Pallet has provided living wage jobs to roughly 200 people that are exiting homelessness, recovering from addiction, and impacted by the justice system.

Pallet is on track to double its revenue. The company has over 1,750 units deployed in over 60 villages, impacting more than 4,000 people. The company is certified as a Leading Living Wage employer with a current headcount of 109. Most recently, the company was invited to set up a Pallet Village on the Washington Mall, to demonstrate to FEMA the valuable use case of Pallet Shelters for disaster relief situations.



Pallet, Everett, WA





Swift River Farm, Salmon, ID

Real Estate

Real estate ownership is a proven pathway to business or organizational stability and profitability. Hurdles to securing financing for real estate ownership prevent many impact-focused entities from a more secure financial future that allows them to devote more resources to their core social and/or environmental objectives.

Swift River Farm > \$44k loan > couple-d Salmon, Idaho farm committed to organic and regenerative farming.

Swift River Farm is a small certified organic vegetable farm, run by co-founders Jessica McAleese and Jeremy Shreve. Building an organic farm from bare ground 14 years ago, they've worked hard over the years to create dynamic and enduring partnerships between the farm and community, striving for ecological, economical, and socially just ways to grow and eat food.

Swift River Farm believes everyone deserves the right to healthy, delicious organic produce. Beyond sales to grocery stores, restaurants, and river outfitters, they run a community supported agriculture (CSA) program offering sliding scale pricing and flexible payment plans, and opportunities to get hands dirty.



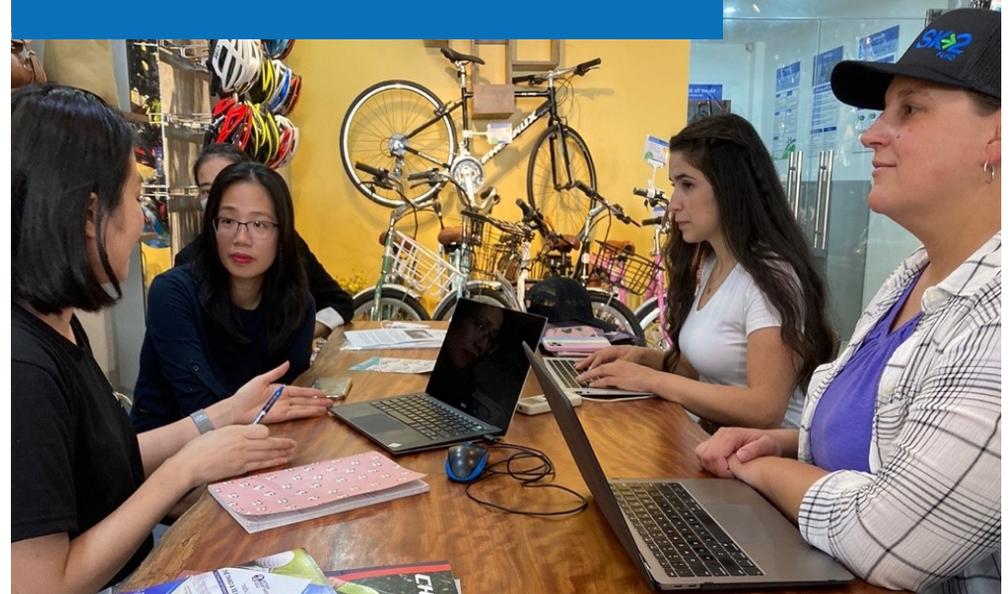
FOLLOW UP

SK2 Fund believes in visiting all types of investees to witness their impact firsthand. Reporting will always be illustrative and important, but as our original founder Arthur B. Schultz once said, "There is no substitute for being on the premises!" This might be the most gratifying part of our work—seeing the lives positively changed by the investees we support. We look forward to sharing more stories from these visits in future reports.



Phu Quy Orange, Vietnam

SK2 Fund team and Wiibike owner, Vietnam



Wiibike (above R) > \$30,000 loan > woman-led environmental enterprise manufacturing and retrofitting e-bikes

Phu Quy Orange (below L) > \$30,000 loan > woman-led producer of pesticide-free, smallholder farmer-sourced oranges and orange-based natural products

LEARNING

- ↔ Publicly traded companies are a shrinking but significant portion of our endowment. We screen for leadership on ESG issues and for alignment with our SDG priorities, but we don't expect public equities to create impact comparable with our private sector portfolio. We'll continue to follow evolving best practices to influence positive change.
- ↔ Much of the data presented in this report details outputs—jobs, demographics, hectares, etc. But just as important are stories illustrating how livelihoods are being impacted. In the future, we'd like to explore how to better quantify changes to livelihoods.
- ↔ Going forward, we hope to begin measuring how catalytic and proportional each SK2 investment was to achieving reported impact.
- ↔ We need to become more effective influencing other foundations to allocate more financial resources to mission-aligned investments.

Industria TEMA, Nicaragua



ACKNOWLEDGMENTS

SK2 Fund wishes to thank Gwen Straley and Harris Kirschner of [3rd Creek Investments, Inc.](#) for their exemplary impact and financial advisory services.

SK2 Fund also wishes to recognize our co-investment partners at [Arthur B. Schultz Foundation](#), [3rd Creek Foundation](#), and [Beneficial Returns](#) for their commitment to pooling financial resources in service of greater social and environmental impact.

For additional impact investment profiles, please visit our [website](#), or contact us to see a complete summary of current portfolio investments.



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