



# DEAR FRIENDS,

The past 3 years since we began reinventing SK2 Fund have been an inspiring, educational, exciting journey! I'm proud of the work we've done to evolve into the foundation we are today.

We started with a commitment to challenge traditional foundation and wealth management practices that separate how money is made from the good it can create. As of YE 2022, we are nearing full allocation of our 100% mission and values-aligned endowment portfolio.

Most foundations invest 95% of their endowments without regard for, and in some cases, opposition to their charitable mission objectives. All of our endowment investments further our mission and values, and we are becoming vocal advocates for more of our peers to work towards the same.

Calling an investment “impact” demands more than just putting a label on it. We must determine if our endowment investments are actually accelerating the transition to a more equitable and sustainable world, as our mission dictates. We evaluate our investment impact based on select metrics adopted from aligned U.N. [Sustainable Development Goals](#) (SDGs), a globally recognized framework for measuring impact.

Recognizing the vast inequality in access to capital for underserved populations, SK2 also prioritizes redirecting our investment capital to businesses and funds led by women and people of color. Multiple studies have shown that at best, less than 3% of the \$70 trillion in U.S. investment capital goes to women and persons of color-led

ventures. At year-end, 59% of SK2's endowment investments are led by women or persons of color. We're proud of our progress, but we recognize we still have much further to go.

Much of our endowment is invested into private funds, but we also invest directly into small businesses. In 2022 we more than doubled our direct investments into impactful small businesses that are too small and risky for most investors. SK2 had 8 such enterprises on the books at YE 2021, and 19 as of YE 2022 totaling over \$625k. Our goal is to invest more than \$1m in high impact social enterprises in Latin America, SE Asia, and the US, as part of our overall impact endowment strategy.

It is an exciting time for SK2 Fund and the broader movement towards impact investment. Our intention is to continue pushing, sharing, and engaging with other foundations to move the dial on investing their endowments in alignment with their missions. We can create a more equitable and sustainable world, but we all need to work harder together to get there.

Sincerely,



LAUREL WILLIAMS  
EXECUTIVE DIRECTOR



# MISSION

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

We do this by using **creative capital**, the coordinated use of varied forms of funding in service of the overall mission. For SK2 Fund, creative capital supports our core ThriiveCapital program, grassroots impact investments, a 100% mission-aligned endowment portfolio, nonprofit sector grants, and peer advocacy for impact investment.

The pages below highlight our 100% mission-aligned endowment portfolio. To create impact using our endowment, we invest in individual business, private loan funds, private equity funds, cash holding accounts, and highly screened public equities.



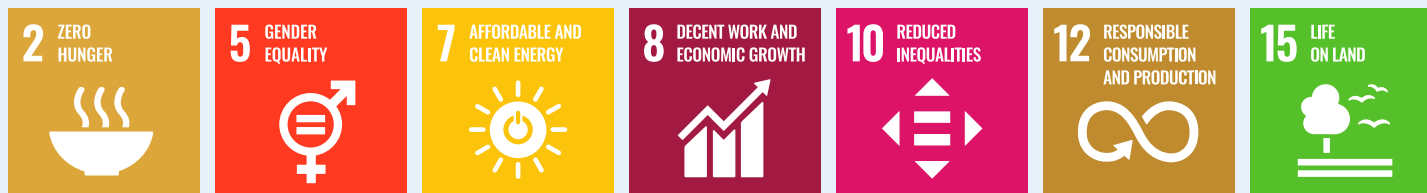


# IMPACT FRAMEWORK

SK2 Fund uses 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. For each of our 7 priority SDGs shown below, we measure 1 or 2 broad metrics that most closely represent SK2 Fund’s mission objectives.

While tracking quantitative impact data is important to SK2, impact often is best captured by stories provided by investees and their stakeholders. We want to know how the lives of entrepreneurs, employees, suppliers, and customers are changing as a result of external investment. In other words, while a new job created by a business is great, the actual difference that job made on an employee’s life is even more important. Read on for a few stories highlighting such impact outcomes.

## SUSTAINABLE DEVELOPMENT GOALS





SK2 invests in socially and environmentally committed small businesses positively impacting their communities.

**39**

JOBS MAINTAINED/  
CREATED

**425**

HECTARES OF FORESTLAND,  
MOUNTAIN, OR OTHER  
BIODIVERSE ECOSYSTEMS  
UNDER SUSTAINABLE  
MANAGEMENT

**27**

JOBS FOR WOMEN

came just in time to help us to buy all fresh tea buds for 2 co-ops at a higher price. Furthermore, we have increased wages and vocational training for our employees.”

In the first year after receiving the loan, Tafood also increased the number of employees from 20 to 39, 27 of which are women.

sustainable management. Tafood has trained hundreds of families in techniques on caring for tea trees without chemical fertilizers, while letting natural soil and climate conditions guide them on when and how to harvest. In 2022, Tafood increased incomes for 230 individuals, mostly women. 80 of them participated in 2 fair-trade co-ops established by the company. Farmers now are confident planting and expanding new tea forest areas for the future.

Tham shared, “In 2022, due to the continuous border lockdown with China, locals struggled to sell tea leaves. SK2 Fund’s working capital loan

## BUSINESS LOANS

### Investment Highlight

**TAFOOD** | \$30K LOAN | SOCIAL ENTERPRISE  
PRODUCING HERBAL TEAS IN VIETNAM

Ethnic minority communities in the North-West mountainous area of Vietnam do not have much opportunity to earn enough income to rise above their historical poverty. Nguyen Thi Tham, founder and CEO of Tafood, a Vietnamese specialty tea company, works passionately with her team to help locals increase incomes while preserving the wild forest they depend on.

At Tafood, 425 hectares of wild tea forest and its biodiverse ecosystems are under





SK2 is proud to invest in the growing movement towards small business employee ownership as a vehicle to drive small business resilience and intergenerational wealth creation for underserved workers and their families.

**41%**

OF THE EMPLOYEES AT THE PORTFOLIO COMPANIES IDENTIFIED AS BIPOC

## LOAN FUNDS

### Investment Highlight

**PROJECT EQUITY EMPLOYEE OWNERSHIP CATALYST FUND** | \$400K FUND INVESTMENT | SUPPORTS AND FINANCES BUSINESSES TRANSITIONING TO EMPLOYEE OWNERSHIP THROUGHOUT THE U.S.

Project Equity’s EOCF promotes resilient, quality jobs, supports benefits access and training, and increases worker voices by catalyzing the shift toward employee ownership as illustrated by the following investment. EOCF provided a transition loan to RDA Consulting, an Oakland, CA-based, majority BIPOC and women-managed consulting firm, to help it transition into an employee-owned trust (EOT).

RDA’s mission is working towards a just and equitable society by addressing barriers to individual, organizational, and community well-being, partnering with public and social sector organizations across the U.S. EOCF’s transition loan helps fulfill RDA’s mission, vision, and values, while providing equity for their employees and ensuring that RDA remains rooted in their community.

“For small businesses, it can be easy to feel like family,” says RDA’s CEO Amalia Egri Freedman, “However, it can be less easy to feel the benefits. RDA’s founders saw employee ownership as an opportunity to secure that commitment to our employees.”

**82%**

OF THE EMPLOYEES AT THE PORTFOLIO COMPANIES IDENTIFIED AS LOW OR MIDDLE INCOME



## PRIVATE EQUITY FUNDS

### Investment Highlight

**CO CAPITAL | \$500K FUND INVESTMENT | PRIVATE EQUITY FUND INVESTING IN GROWING SOCIAL ENTERPRISES IN LATIN AMERICA**

CO\_Capital invests in the following sectors: 1) education, workforce, and economic development; 2) access to healthcare; 3) access to basic sustainable infrastructure; and 4) the nexus between agriculture, food systems and regeneration.

CO\_Capital and Beneficial Returns investee Sistema.bio manufactures, installs, and sells biodigesters to smallholder farmers in Mexico, Nicaragua, Colombia, Kenya and India. Sistema.bio believes working with smallholder farmers to increase their productivity is key in the fight for the planet, food security, and a better life for thousands of people.

One of Sistema.bio's customers working hard to generate an income for herself and her parents by raising rabbits at their ranch, Liliana Pedraza Valles wanted to increase her profitability by bringing a new idea to market. As soon as Liliana heard about Sistema.bio, she decided to start producing biogas from rabbit waste. She bought her first biodigester in 2013, and only a month after, her system was completely inflated with biogas. The renewable energy came at the perfect time: she could now cook her products without having to invest in LP gas. "The biogas fit perfectly in my puzzle," Liliana says with a laugh.



**\$15.7m**

TOTAL ANNUAL SAVINGS  
GENERATED FOR  
FARMERS

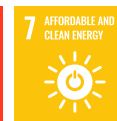
**438**

JOBS MAINTAINED/  
CREATED

**139**

JOBS FOR  
WOMEN

Now Liliana has a multi-reactor, which allows her to cook in greater quantities and satisfy growing demand for her products. With the arrival of COVID-19, the association of producers initiated by Liliana began making home deliveries in Mexico City. Her rabbit burgers, tinga, and rabbit in mazahua sauce feed more families, getting closer every day to Liliana's goal to make rabbit the main meat protein in the country. Her biodigester worked amazingly to reduce waste, produce cleaner gas, and enable her to increase her income!



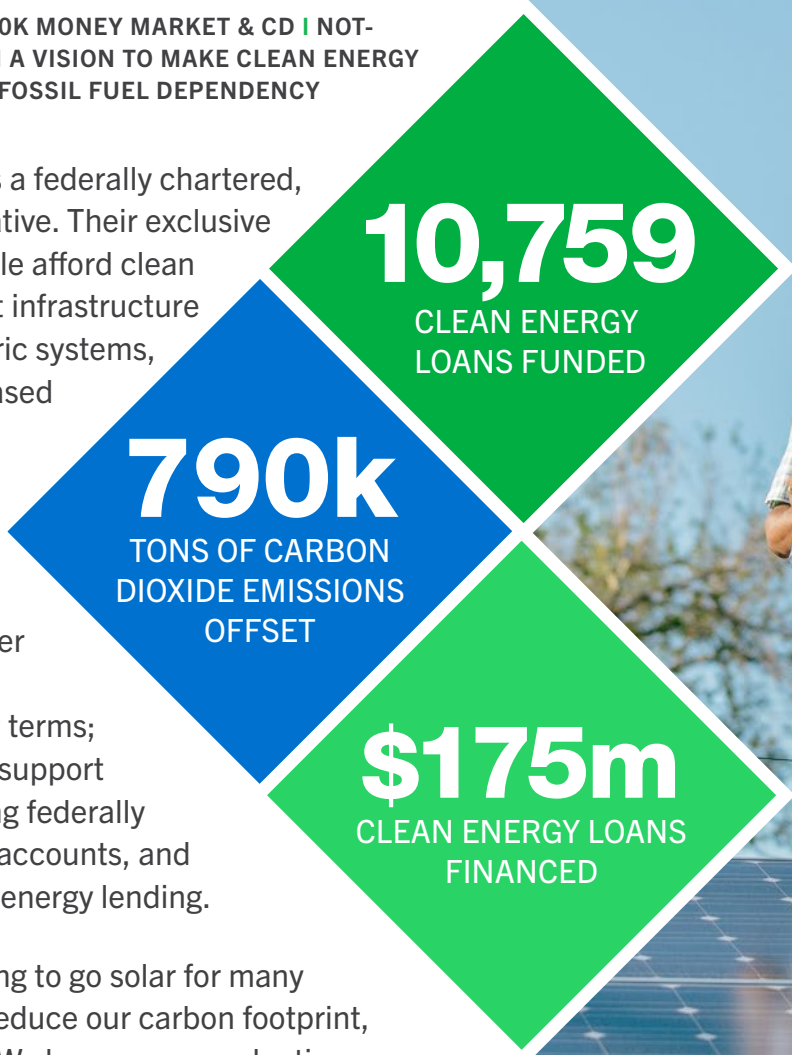
## Investment Highlight

**CLEAN ENERGY CREDIT UNION (CECU) | \$250K MONEY MARKET & CD | NOT-FOR-PROFIT, ONLINE CREDIT UNION WITH A VISION TO MAKE CLEAN ENERGY AVAILABLE TO EVERYONE AND HELP END FOSSIL FUEL DEPENDENCY**

Clean Energy Credit Union (CECU) is a federally chartered, non-profit financial services cooperative. Their exclusive focus is providing loans to help people afford clean energy products and energy efficient infrastructure such as electric vehicles, solar electric systems, and geothermal systems. CECU is based in Colorado, but lends nationwide.

Clean Energy Credit Union’s vision is a world where everyone can participate in the clean energy movement. CECU helps make it easier for everyone to afford clean energy products by offering loans with great terms; and making it easier for everyone to support the clean energy transition by offering federally insured checking accounts, savings accounts, and CDs that directly finance their clean energy lending.

A customer said, “We’ve been wanting to go solar for many years now to lower our electric bill, reduce our carbon footprint, and because solar panels are great! We have seen a reduction in our electricity bill of approximately 65%. Our experience with obtaining a solar PV loan through the Clean Energy Credit Union was very easy and everyone I dealt with was very friendly and professional.” ([Borrowers testimonial full video](#))





# 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.

In fall 2022, the SK2 team visited co-investment partner Beneficial Returns investees and prospects in Indonesia (right) and our social enterprise investees and prospects in Vietnam (bottom).



# ADVOCACY

One of SK2's stated objectives is to influence other foundation and philanthropic peers to allocate more financial resources to mission-aligned investments. Previously our efforts existed more or less in a vacuum, by posting blogs on our website and having conversations with sympathetic peers—preaching to the choir as the saying goes.

In addition to walking the talk, like being transparent with our [endowment's impact investments](#), we are starting to find our voice. SK2 is partnering with a leader in the small foundation mission-aligned investing (MAI) field, [Untours Foundation](#), in their outstanding advocacy efforts, including co-sponsoring the illustrative video, Dollars that Make Sense (see video link to the right). We believe the lack of widespread foundation support for MAI is mostly a question of education on the issue, rather than inertia or malintent.

The vast majority of foundations are still governed by the traditional paradigm separating how money is made from the good it can do—meaning 95% of foundation endowments are invested passively without regard, and in some cases, direct opposition to their charitable mission objectives. In other words, 95% of foundation money works to preserve the status quo, while only 5% works to change it. We believe that if pursuit of its charitable mission is the highest purpose of a foundation, then all its resources, investments as well as grants, should be aligned with that mission.

Email us if you are considering making the journey into mission and values-aligned investing! We would love to talk to you about it!



# LESSONS FROM DUE DILIGENCE

SK2 separated our impact and financial due diligence (DD) processes early on. Bundling them inevitably tilted the emphasis to the financial side—not where we want to begin as an impact investor. Evaluation of real-world impact, measurement methodology, and alignment are fundamental. If we are convinced in those areas, only then do we move on to financial DD. So far that 2-tiered approach is working well. However, we've made mistakes in a few instances, and in the interest of learning and transparency, we want to share those lessons here.



## Case 1

We engaged with a small business startup looking for equity investment, but after substantial initial DD they ended up rejecting our financial DD requirements as too intrusive. This was a first for us and caused us to re-evaluate and more accurately tailor the level of DD required relative to type of investment prospect and ticket size.

## Case 2

We completed the DD process with a nonprofit CDFI lender that ended up getting voted down by our investment committee (IC). Several IC members were uncomfortable with a core lending focus of the fund which they considered environmentally unsustainable, while the CDFI believed the opposite. In hindsight, this likely conflict should have been flagged early on. Doing so would have saved both sides significant time and effort.

## Case 3

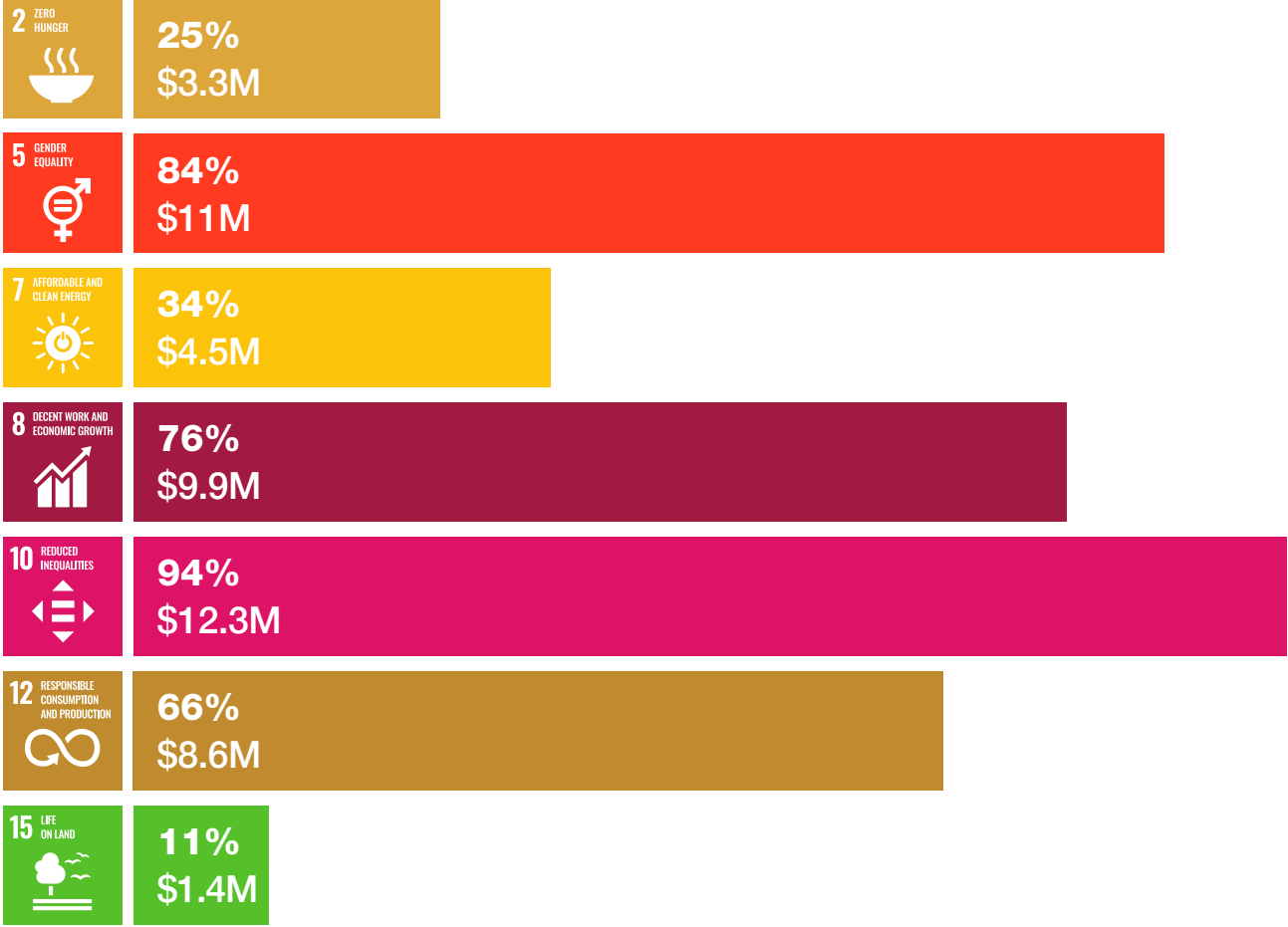
We made an incorrect assumption that an international fund providing revenue-based debt financing for growing businesses was repaying investors similarly, but what was offered to investors was actually a private equity structure, where we are currently overallocated and unable to invest. We discovered this after completing impact DD. We learned to clarify fund structure at the outset of DD to save everyone's time.

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SK2 is committed to being a respectful and efficient impact investor, and improving our DD process accordingly. Recently we signed onto the [Due Diligence Commitment 2.0 initiative](#)—designed to address longstanding biases with BIPOC-led funds and businesses, and to create a more equitable DD framework.

# SDG ALIGNMENT

Investment Dollars Supporting



Percentages and dollars do not total 100% as many investments contribute to more than one SDG.



SUSTAINABLE  
DEVELOPMENT  
GOALS

The numbers represent the total aggregate impact created by our private sector investees, not the portion that our individual investments supported.



# PORTFOLIO IMPACT



**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.

- **4,151** smallholder farmers implementing sustainable management practices
- **11,187** 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.

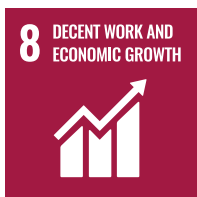
- **544,120** small businesses, investment funds, and individual microenterprises led by women\*



**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.

- **259,227** households gaining access to renewable energy and/or energy-efficient infrastructure

\*Incomplete gender leadership data received from some investees



### 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.

- **58,992** total jobs supported/created
- **47,691** jobs for women supported/created
- **33,922** jobs for persons of color supported/created\*



### 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.

- **26,133** small businesses, investment funds, and individual microenterprises led by persons of color\*



### Ensure sustainable consumption and production patterns

A core SK2 value is supporting more environmentally responsible business models. This includes 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.

- **66%** of impact portfolio investments support businesses using more sustainable materials, repurposing or recycling production materials or waste, reducing emissions, energy use, etc.



### 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.

- **59,510** hectares of forestland, mountain, or other biodiverse ecosystems under sustainable management

\*Incomplete ethnicity data received from some investees

# 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.

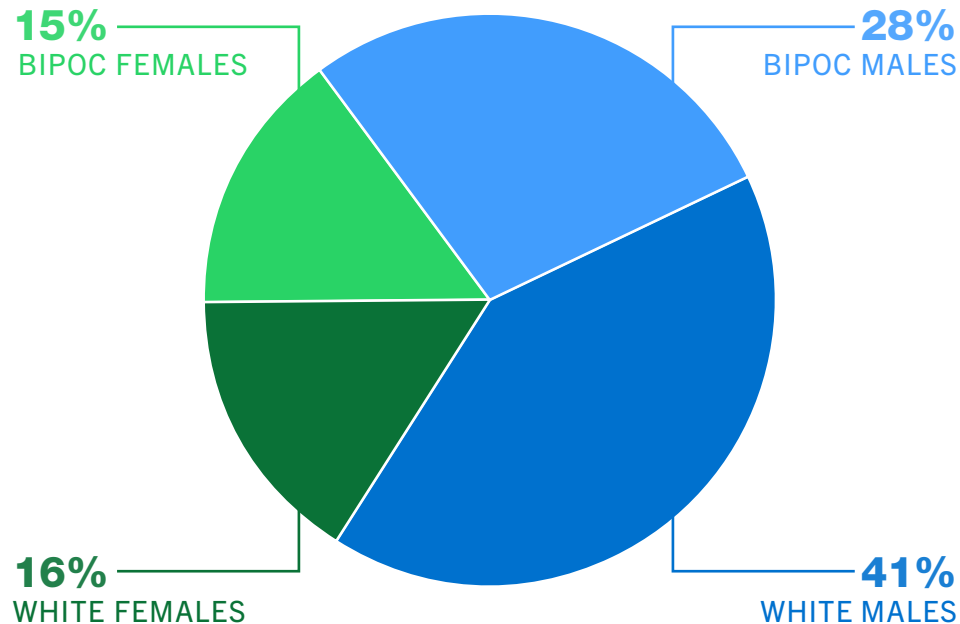
We have made some initial progress, but still have a ways to go to realize more balanced gender and racial representation across our endowment portfolio.



## Racial Representation

By Investment Value

COMPANY CEOs

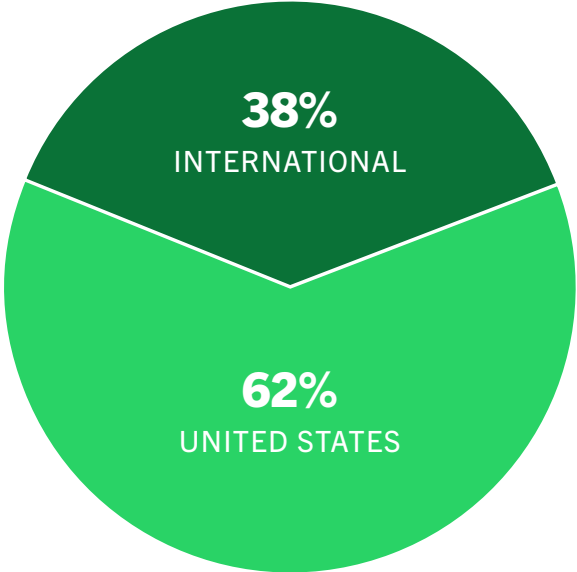


SK2's goal is equal gender and racial representation across our endowment

# Geography and Gender

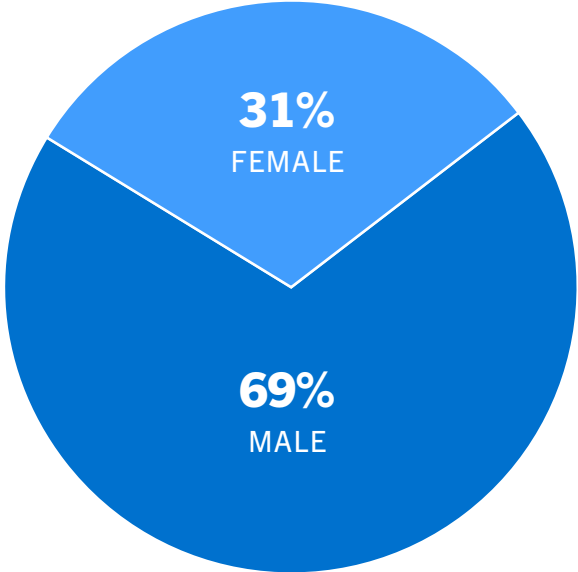
By Investment Value

PRIMARY LOCATION



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

COMPANY CEOs





# INVESTMENT DASHBOARD



In the interest of transparency and highlighting the innovative business models of our investees, we are pleased to detail the holdings in our impact portfolio as of YE 2022. These are all private sector investments. Take a moment to review our [ENDOWMENT ALLOCATION DASHBOARD](#) and links to all our private sector investees.

We still have a significant, but shrinking public equities portfolio (47% of our total endowment commitments, with an eventual goal of around 30%), where we invest in publicly traded companies considered to be industry leaders in ESG (environmental, social, governance) categories. Our public equity holdings are all managed by investment firms led by women or persons of color, such as [Nia Impact Capital](#), [Boston Common](#), and [Adasina Social Capital](#). These funds actively participate in changing corporate behavior through shareholder advocacy and organizing broader investor-activist coalitions.



# 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](#), [Beneficial Returns](#), RGD Partners, and [Untours Foundation](#) for their commitments to pooling financial resources in service of greater social and environmental impact.

For additional impact investment profiles, related materials, or consultation, feel free to contact us directly.



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