

IMPACT INVESTING

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# NATIONAL TREND, WISCONSIN OPPORTUNITY

A Wisconsin Guide to Impact Investing  
in the State's Urban, Rural and Tribal Communities



PRODUCED BY

WISCONSIN IMPACT INVESTING COLLABORATIVE

# CONTENTS

*Acknowledgments* . . . . . 3

INTRODUCTION . . . . . 4

SECTION I  
Impact Investing: Overview for Decisionmakers . . . 7

SECTION II  
Designing an Impact Investing Strategy . . . . . 13

SECTION III  
Impact Investment Policy & Governance . . . . . 23

SECTION IV  
Process & Procedures . . . . . 26

SECTION V  
Portfolio Management . . . . . 28

SECTION VI  
Impact Investing Collaboration & Way Forward in  
Wisconsin . . . . . 36

SECTION VII  
Resources . . . . . 39

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## ACKNOWLEDGMENTS

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The Wisconsin Guide to Impact Investing: National Trend, Wisconsin Opportunity (Guide) is a tribute to the vision, dedication and skill of Wisconsin’s innovators in impact investing. These foundations, Community Development Financial Institutions (CDFIs) and their community partners have shown how capital can be prudently invested to create more healthy, inclusive and sustainable communities in urban, rural and tribal areas across the state. The Guide invites Wisconsin and other funders and investors to learn about and join in practicing impact investing. It is a user’s manual for how any investor—large or small—may build on existing success, continuing to meet the needs and opportunities of the communities they care about.

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*Wisconsin foundations, other institutions and socially motivated families possess a significant, largely untapped source of capital for responding to the state’s development opportunities and addressing its challenges.*

*The Guide and broader WIC3 effort aim to make it easier for investors of any size, structure or focus to target a portion of their investments to creating lasting positive changes for the people and environment of Wisconsin.*

## INTRODUCTION

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The Wisconsin Guide to Impact investing is a project of the [Wisconsin Impact Investing Collaborative](#) (WIC3 or Collaborative) – an initiative led by a group of Wisconsin foundations and partners committed to leveraging their assets to build inclusive, vibrant and environmentally sustainable communities across Wisconsin’s urban, rural and tribal areas. Through the Guide, WIC3 members seek to share their experience and invite greater collaboration among like-minded state-based and national investors interested in increasing their impact investing in Wisconsin or getting started and learning more.

These investors are among a range of Wisconsin trailblazers in impact investing that also include faith-based, corporate and socially-motivated funds and individual investors. While all use a range of impact investment strategies to achieve social and environmental benefits alongside a financial return, they also share a commitment to practices known as *community investing*—increasing access to capital on fair and affordable terms to meet the financing needs of *local* small businesses, nonprofit organizations and families—particularly those who qualify for financing but face barriers to access with conventional financing sources.

Their impact investments to date have strengthened communities and helped to create a growing cadre of Wisconsin mission-driven financial intermediaries who are deploying capital to strengthen small businesses, farms, nonprofit organizations and households statewide. Examples of Wisconsin’ leadership highlighted in the Guide include:

› **Bader Philanthropies** has long made program-related investments in Milwaukee communities and helped to launch [Generation Growth Capital](#), an African American-led private equity fund that invests to strengthen regional businesses, support new owners of color and retain community jobs when original founders retire.

- › **Greater Milwaukee Foundation** has spearheaded a program of lending to support small and growth businesses including through catalytic neighborhood real estate projects such as the [Sherman Phoenix](#), a model for healing a city through positive economic and social returns in communities of color. It is partnering with [Alchemy Angel Investors](#) and others to increase access to capital for growth businesses led by entrepreneurs of color.
- › **Incourage** has committed to aligning 100% of its assets to its mission of co-creating an inclusive, adaptive and sustainable community in its rural Central Wisconsin region. Incourage’s investment in Wisconsin Rapids’ [Tribune](#) building spearheaded a resident-driven community economic and community hub that will house the [Partnership for Sustainable Communities](#) through a partnership with the University of Wisconsin-Stevens Point. Incourage created the [Wisconsin Shared Stewardship Equities Fund](#), which primarily invests in companies headquartered in the state or employing Wisconsin workers. An active owner, Incourage votes proxies and engages with WSSEF companies to promote positive environmental, social and governance practices.
- › **Forward Community Investments** is one of Wisconsin’s Community Development Financial Institutions (CDFIs) that is a [leader](#) in innovative community investing and field building through CDFI collaboratives such as [Invest in Wisconsin](#) and events to promote impact investing statewide.
- › **Wisconsin’s Faith-Based Investors** were early leaders of community investing and shareholder advocacy since the 1970s, including [Seventh Generation Interfaith Coalition for Responsible Investment](#) and the [Wisconsin Council of Churches](#).

- › **Socially Motivated Individual Investors** spearheaded the creation of many of Wisconsin’s CDFIs, which later attracted regional and national bank, corporate, foundation and faith-based investors.

While significant, this activity is not yet of a scale to fully address Wisconsin’s development needs and opportunities. Pressing needs remain across the state, particularly in urban and rural lower-income communities:

- › As reported by the CDFI-led initiative, Invest in Wisconsin, Wisconsin exhibits some of the highest rates of racial and socioeconomic disparity in the U.S.<sup>1</sup>
- › The state ranks below national levels on all four Kauffman Indicators of Entrepreneurship—the rates of new entrepreneurs; entrepreneurs starting businesses due to opportunity versus necessity; job creation by startups; and one-year survival of startups.<sup>2</sup>
- › The National Low Income Housing Coalition reports a shortage of rental homes affordable to extremely low-income households (ELI) in the state, many of whom spend more than half of their income on housing.<sup>3</sup> Severe housing cost burdens often force families to forgo other necessities such as healthy food or medication.
- › Wisconsin’s overall health ranks 23 out of 50 on America’s Health Rankings—down from 6 in 1992.<sup>4</sup> Separate from this statewide ranking, the County Health Rankings reveal significant disparity in health outcomes and factors (determinants) across Wisconsin’s 72 counties.<sup>5</sup>

- › Wisconsin is behind many states in its conversion to renewable energy,<sup>6</sup> which can be accelerated through impact investing.

Like impact investors nationally, many of Wisconsin’s impact investors have taken up the practice of making financial investments that seek social and environmental benefit alongside financial return in order to augment the limited headway they can make on these issues through grantmaking alone—however crucial and effective the grantmaking strategy may be.

While most impact investors make grants along with their investments—and caution that investments are not a substitute for grants—many have concluded that grants alone are insufficient to drive the scale or pace of change they seek in addressing basic issues such as intergenerational poverty, income inequality and environmental degradation. Daniel J. Bader, President/CEO of Bader Philanthropies exemplifies this view in concluding that “grants can only take us so far” .... grants “*can* fund Research, Public Policy, Training

*Impact investors caution that investments are not a substitute for grants, yet many have concluded that grants alone are insufficient to drive the scale or pace of change they seek.*



Programs, Placement Programs, Barrier Reduction and Demonstration Projects. Grants *can't* create private sector jobs or build wealth in minority communities.... we had to jump over to the Private Sector to create jobs and wealth.”

As a further constraint in Wisconsin, the state lacks the large foundations (over \$500 million in assets) found in neighboring states—particularly the Great Lakes states of Illinois, Indiana, Michigan and Minnesota. Such large foundations often back local community development organizations and mission-driven financing intermediaries such as CDFIs, providing both grant and investment capital to local financing and other development activities in underserved communities. In order for Wisconsin’s strong base of intermediaries, entrepreneurial activities and promising community development projects to realize their potential, additional capital is needed from both state-based investors and national partners.

Wisconsin foundations, other institutions and socially motivated families possess a significant, largely untapped

source of additional capital for responding to the state’s development opportunities and addressing its challenges. The WI3C invites all investors to join the practice of regional impact investing through shared learning, investment support services and co-investment. To this end, the WI3C’s Guide sets out key impact investing definitions, trends, practices and support services, along with examples of how WIC3’s founders and others are using the practice to build more inclusive, prosperous and sustainable communities statewide.

The Guide and broader WIC3 effort aim to make it easier for investors of any size, structure or focus to target a portion of their investments to creating lasting positive changes for the people and environment of Wisconsin. Impact investing is a rapidly growing field that is evolving to better meet societal needs. The Guide’s sponsors invite you to visit WI3C on the [web \(www.wi3c.org\)](http://www.wi3c.org) to follow these developments and join our contact list for updates on Wisconsin impact investing news and resources.



*Experience in Wisconsin and elsewhere illustrates that impact investing is not a “one size fits all” approach. There are many ways to both start and advance an impact investing strategy.*

The field today known as “impact investing” has developed over more than five decades. In recent years, it has rapidly gained traction as a prudent investment strategy as well as a lever for social change. As a result, trustees and fiduciaries of foundations, endowments, corporations, organizations and families are increasingly asking whether and how to apply impact investing and broader social investing techniques to advance their missions and values.

In launching—or expanding—an impact investing strategy, key decisions include:

- › What social and/or environmental values to prioritize
- › What investment opportunities to target, given the investor's priority geography and/or issue areas
- › What risk-return preferences to apply
- › Whether to dedicate a “carve-out” to drive social impact or align all institutional assets to mission and values over time (in practice, all impact investing strategies are typically implemented over time)
- › How to get started.

Experience in Wisconsin and elsewhere illustrates that impact investing is not a “one size fits all” approach. There are many ways to both start and advance an impact investing strategy. Each investor brings different priorities and can determine a customized course of action. The following sections summarize definitions and other helpful background.

### Definitions

Those considering impact investing or the broader category of social investing soon encounter a new lexicon of terms. Understanding these terms is helpful in deciding how to proceed.<sup>7</sup>

**Impact Investing.** Investing with the intention to generate positive, measurable social and environmental impact alongside a financial return.<sup>8</sup> In order to target intended social or environmental impact, impact investments are often private market transactions (versus publicly traded transactions in a stock or bond market).

**Social Investing.** An umbrella term that refers to

incorporating social criteria into the investment decision-making process. *Social criteria are often understood to include environmental as well as other social considerations.*

**Program-Related Investing (PRI).** A special category of charitable investment defined for private foundations in the Tax Code of 1969 as investments for which 1) the primary purpose is charitable; 2) no significant purpose is the generation of income or appreciation of property, and 3) no purpose is influencing legislation or taking part in political campaigns on behalf of candidates.<sup>9</sup> *Community foundations and other investors often adapt the term “PRI” to refer to investments in which they are willing to invest on concessionary terms in order to drive charitable purpose.*

**Mission-Related Investing (MRI).** A term of art that refers to investments for which the investor seeks a market- or near market-rate of risk-adjusted financial return, while also seeking a double or triple bottom line of social and/or environmental benefit.

**Sustainable and Responsible Impact Investing (SRI).** The familiar acronym “SRI” today refers to Sustainable and Responsible Impact Investing<sup>10</sup>—a set of techniques through which investors incorporate social criteria into investment decisionmaking (Figure 1). The original such technique was the *screening out* or *exclusion of* holdings of publicly traded companies with operations an investor viewed as harmful to society and/or the environment. Over time, SRI techniques have expanded to now include *screening in* or *inclusion of* companies considered “best in class” on environmental, social and governance (ESG) criteria; screening of entire portfolios on material ESG factors (ESG integration); and sustainability-themed investing, which seeks to address environmental and/or other global challenges. Many investors also practice shareholder engagement by voting proxies and otherwise engaging with management of publicly traded companies to motivate responsible ESG practices. The incorporation of material environmental, social and governance criteria into investment decisionmaking, often called ESG Integration.

**Sustainability-Themed Investing.** Investment strategies that promote sustainability in one or more forms—typically environmental sustainability (such as a portfolio of stocks in companies with a low carbon footprint), but the term is also

FIGURE 1. SUSTAINABLE AND RESPONSIBLE INVESTMENT TECHNIQUES<sup>11</sup>

Foundations often refer to the range of these techniques as mission investing, while those who apply them in particular geographies may refer to them as community or place-based impact investing.



used to describe a focus on long-term business models that address a range of human, community and global challenges.

**Shareholder Engagement.** Voting proxies and otherwise engaging with management of publicly traded companies to motivate responsible ESG practices.

**Impact Investor Types**

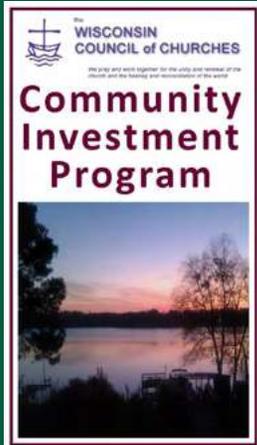
Today’s impact investors include foundations, faith-based organizations, health systems, banks, pension funds, insurance companies, corporations, wealth managers and individuals who seek social and environmental benefits along with financial returns on investments. Government is a partner through complementary grants, technical assistance programs and credit enhancement—loan guarantees, insurance and/or tax incentives that reduce private investment risk.

**Investor Motivation**

For foundations, the initial goal of impact investing is typically to enhance mission and programmatic goals. To this end, foundations often make impact investments in tandem

with complementary grants. Impact investing may also allow dedicating a greater share of foundation assets to mission, and recycling of charitable resources when investments repay. A foundation’s impact investment often allows the investee to demonstrate repayment capacity, triggering both access to additional capital from other investors and leverage for the foundation’s early support. For example, early investments in Madison-based Forward Community Investments enabled the CDFI to attract an investment from national impact investor, the Kresge Foundation.

Foundations that practice SRI-ESG investing typically seek to ensure that their assets are aligned and not working at cross-purposes with their mission, values or grants strategy. For example, many health-focused foundations exclude investments in tobacco companies from their investment portfolios. SRI-ESG strategies are also increasingly seen as having the potential to incentivize more responsible corporate practices. Thus, a company with responsible environmental practices such as high energy efficiency may have lower costs and fewer adverse regulatory consequences. This has the potential to enhance profits and ultimately stock price.<sup>12</sup>



The Community Investment Program (CIP) offers an investment opportunity for individuals and congregations of member denominations, as well as denominational bodies, to have funds working for a brighter future for Wisconsin's low-income families and communities.

The Council offers a unique opportunity to local church members, congregations and its member denominations to place dollars in CIP Fund. The Fund then invests in selected community development financial institutions (CDFI's) throughout Wisconsin. The CDFI's help distressed communities, low and moderate income people and minority populations to develop housing, employment and business opportunities. A listing of where funds are placed is in the brochure along with their websites which show more about all the work they do.

Oversight and management of the Fund is taken care of by the Finance Committee of the WCC.

### Wisconsin's Impact Investors including Faith-Based Investors have long focused on Community Investing

In recent years, impact investors have increasingly questioned how they can align greater shares of their assets with mission and values. Some, including Wisconsin Rapids-based Incourage, have committed to aligning 100% of their assets with mission. Others are both seeking managers with greater ethnic and gender diversity and urging their current managers to increase their diversity in meaningful ways. Impact investors are also continuing to innovate structures and approaches, ranging from pay for success<sup>13</sup> transactions that focus on increasing measurable improvements in how government can provide social services, to accelerators that marry access to capital with business development services for emerging entrepreneurs.

### Risk-Return Expectations

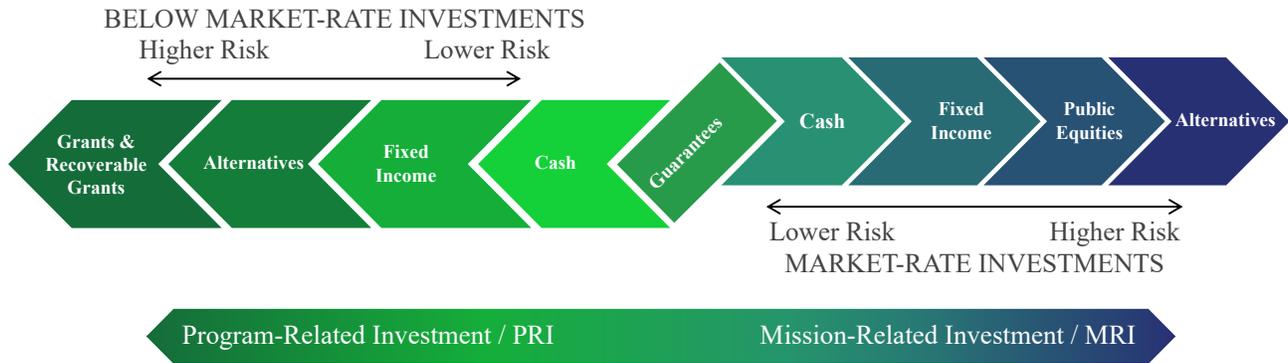
Impact investments can be made across a range of risk-adjusted expected financial returns and in any asset class (investment structure) across the spectrum of risk including alternatives, private equity, public equity, fixed income, loans, cash and guarantees (Figure 2).<sup>14</sup> Impact investments, including foundation PRIs and MRIs, are generally private market transactions, while SRI-ESG investments are typically publicly traded. PRIs carry greater risk and/or lower risk-adjusted expected financial returns in order to facilitate charitable outcomes that could not happen “but for” those concessionary terms. MRIs and publicly traded SRI-ESG investments target market-rates of return with social and/or environmental benefits.

### TAPPING THE BUSINESS CASE FOR MANAGER DIVERSITY

In a nation that is projected to be majority-minority by 2050, impact and SRI-ESG investors are increasingly seeking diverse investment advisors and asset managers that reflect the communities of the future:

- › With research from [Harvard Business School](#) and elsewhere validating the superior potential financial returns of incorporating diverse perspectives into investment decisionmaking, this is a business decision as well as a moral and philosophical commitment to Diversity, Equity and Inclusion (DEI).
- › It also begins to address the long-standing challenges that diverse managers of color have faced in raising capital, despite often generating competitive investment returns. A 2017 Government Accountability Office (GAO) [report](#) found that women and people of color manage less than 1% of U.S. investment assets under management, although they represent some 70% of the population.
- › A number of large, national impact investors have mounted diverse manager funds and [strategies](#), including Knight, Ford (in partnership with [Fairview Capital](#)), WK Kellogg, Kresge, Prudential and Surdna. In Wisconsin and more broadly, investment advisor, Colonial Consulting, has assisted investors in incorporating diverse managers into their investment strategies. Colonial's [experience](#) bears out the research suggesting that further diversifying the investment process in terms of diverse investment professionals has the potential to produce excellent financial returns.

FIGURE 2: CONTINUUM OF IMPACT INVESTING ASSET CLASSES



**Measuring Impact**

Embedded in the definition of impact investing is the intention to “generate positive, measurable social and environmental impact alongside a financial return.” Measuring social impact is a discipline that is evolving as investors gain experience. Efforts to standardize methods increasingly focus on measuring impact with respect to the 17 United Nations Sustainable Development Goals<sup>15</sup> (Figure 3) and the IRIS metrics, a comprehensive catalog of social impact measures managed by the Global Impact Investing Network (GIIN).<sup>16</sup> The international, widely supported

Impact Management Project further suggests that investors frame their impact in terms of A-B-C, Acting to Avoid Harm; Benefitting Stakeholders and Contributing to Solutions.<sup>17</sup>

**Trends**

Both impact investing and the broader field of SRI-ESG investing are rapidly gaining traction while also establishing track records of performance.

The Global Impact Investing Network’s 2019 annual survey found that 266 major fund managers, foundations, banks, pension funds, family offices and development finance

FIGURE 3. SUSTAINABLE DEVELOPMENT GOALS



FIGURE 4. SRI-ESG GROWTH IN THE U.S.



institutions reported \$239 billion in impact investments under management (investment holdings that survey respondents oversee). They invested \$33 billion in new impact investments in 2018 and planned to increase that amount 13% to \$37 billion in the coming year.<sup>18</sup>

Among these investors, a vast majority report that their impact investments meet or exceed their expectations for both impact (98%) and financial performance (91%). Two-thirds of respondents target risk-adjusted, market rates of return (66%), while the balance target returns closer to market (19%) or capital preservation (15%). Fifty-six percent of respondents target both social and environmental impact, 36% target only social impact and 7% target only environmental impact.<sup>19</sup>

The broader practice of social investing also continues to rapidly gain traction (Figure 4). Sustainable, responsible and impact investing (SRI) assets have expanded to \$12.0 trillion in the United States, up 38% from \$8.7 trillion in 2016. Much of this growth is driven by asset managers, who now consider ESG criteria across \$11.6 trillion in assets, up 44% from \$8.1 trillion in 2016.<sup>20</sup> The Forum for Sustainable and Responsible Investment (USSIF) has curated numerous industry reports indicating that SRI investors do not have to trade financial return for alignment with values.<sup>21</sup>

**Success Factors**

Experienced impact investors agree that there is no one right way to begin or to carry out impact investing. Important first

*Most impact investing programs begin modestly and grow over time as the investor gains familiarity and comfort with the range of investment options.*

steps often include learning from trusted peers why and how they have begun impact investing programs. Next steps often include creating a committed internal committee to explore and hopefully champion the potential of an impact investing program, including priority geography, programmatic themes and/or values, and risk-return preferences.

Most impact investing programs begin modestly and grow over time as the investor gains familiarity and comfort with the range of investment options. This process often leads investors to seek ways to align greater shares of their assets with mission—up to 100% in an increasing number of cases. National and global impact investing associations are a source of continuing education for many impact investors, as well as referrals to investment advisors who specialize in impact and SRI-ESG investing (see Section VII., Resources). Regional associations such as the WI3C are also increasingly being organized to support investors within a state or larger region in shared learning and enhanced regional impact and efficiency through co-investment.

## GETTING STARTED IN IMPACT INVESTING: MANY PATHWAYS FOR ENHANCING IMPACT

Many impact investors achieve their most successful efforts by leading with mission and values first, rather than “deals” first. As described by Dawn Neuman, In-courage CFO, “this approach starts by looking at what problem the institution is trying to solve and then asking what types of capital it can bring to solve it—rather than asking what assets I have to deploy and what can I use them for?” Targeting capital to advance mission can mean that the investor has “placeholder investments” that are not yet in fully aligned holdings.

Other impact investors may begin by reviewing what investments they own, to be aware of the impact that the institution’s investments are already having. This process can help to make sure there are not any significant investments in the portfolio that may be counter to the institution’s mission and values, and then to determine if there is anything that can be reasonably done to mitigate that situation. Possible mitigation could include beginning shareholder engagement to influence any companies with disturbing practices, or possibly selling positions over time.

Whether larger or smaller, many impact investors begin the practice working with their traditional investment advisors. Others tap impact investing specialist advisors, who often work in tandem with conventional advisors to help institutions develop strategies that are a best fit.

## Risks and Mitigation

Impact investing is a rigorous discipline that adds social and environmental considerations to the traditional investment process rather than relaxing the rigor of that process. Thus, while impact investing carries risk including investment risk (potential loss of investment principal and/or returns) and reputational risk (should certain visible investments not perform as expected), skilled impact investment professionals mitigate these risks through both traditional and non-traditional means. Traditional means include but are not limited to incorporating the full range of credit enhancement (loss protection) into investment structures. Non-traditional means include cultivating a network known in the field as an *entrepreneurial ecosystem* that provides capacity building and ongoing support to emerging businesses and organizations that receive impact investment.

The WI3C is committed to building on the success of Wisconsin, national and global impact investors to target capital within the state in ways that unlock opportunity and address financing gaps. The Guide is first in a series of education and networking steps to build a strong platform for continued shared learning, co-investment and risk mitigation by Wisconsin impact investors.

*Impact investing offers institutions and families the opportunity to create customized investment strategies for advancing their missions and values.*

Impact investing offers institutions and families the opportunity to create customized investment strategies for advancing their missions and values. As WI3C founders' experience illustrates, there are multiple entry points for constructing an impact investing strategy, and no two investors proceed in exactly the same way.

Avivar Capital, which worked with WI3C to prepare this Guide, has found it helpful for investors to think of impact investing strategy in a life cycle framework of four stages: Planning; Policy; Process & Procedures; and Portfolio Management. This reflects the issues and tasks investors typically take on in moving from idea to action on impact investing. Designed to encourage learning throughout the impact investing process, the life cycle complements an investor's broader philanthropic, social and/or environmental strategy and adapts as that strategy evolves (Figure 5). It also accommodates the building of an impact investing strategy over time, as an investor learns about and gains comfort with the range of opportunities that can fit its risk-return preferences, as well as considers whether and how to engage with co-investors and other strategic partners.

### Planning Stage

Many impact investors get started in response to a time-sensitive investment opportunity, such as a community group's opportunity to gain site control for a local development project or a grantee's need for an emergency loan. An increasing number, however, begin with a formal planning process. This is often led by an internal committee created to explore the potential for impact investing (Impact Investing Committee), which has representation from the program and finance sides of the institution. In some cases, as with Incourage, the entire board of directors participates in this process. In others, as with the Greater Milwaukee Foundation, the committee may include donors and local investment professionals.

While steps may proceed concurrently, the planning process typically begins with education, such as a board meeting where fiduciaries learn what impact investing is and how it might apply for their institution, given its size, geography, mission and program priorities, investment risk-return preferences and preferred ways of carrying out the investment function. Assuming there is interest in further exploration, a

FIGURE 5. IMPACT INVESTING LIFE CYCLE



process begins of setting high-level goals and metrics for an impact investing strategy, followed by a landscape scan of relevant investment opportunities and potential partnerships.

### Building an Impact Investment Pipeline

The landscape scan typically looks to build a pipeline of feasible impact investment opportunities aligned with the impact investor’s goals—the issues or problems they seek to address. For example, the Greater Milwaukee Foundation wanted to make impact investments that could spur small business growth and job creation in the City’s low-to-moderate income (LMI) neighborhoods.

Feasible opportunities satisfy both an impact and an investment thesis. The *impact thesis* sets out how the investment advances the investor’s mission, programmatic or social goals. The *investment thesis* sets out how the investment will repay, including both return of principal (return of capital) and return on principal (return on investment or ROI).

Repayment sources can include predictable revenues, reliably pledged grants, future savings, reliable refinancing (as in a construction loan that is refinanced or “taken out” by a mortgage), growth in earnings (as by a for-profit company that may pay dividends) and/or a liquidity event, such as the purchase or even initial public offering (IPO) of a company, which can generate cash to repay its equity owners. In addition to these primary repayment sources, many debt impact investments have secondary repayment sources that can be tapped if the debt goes into default. These include

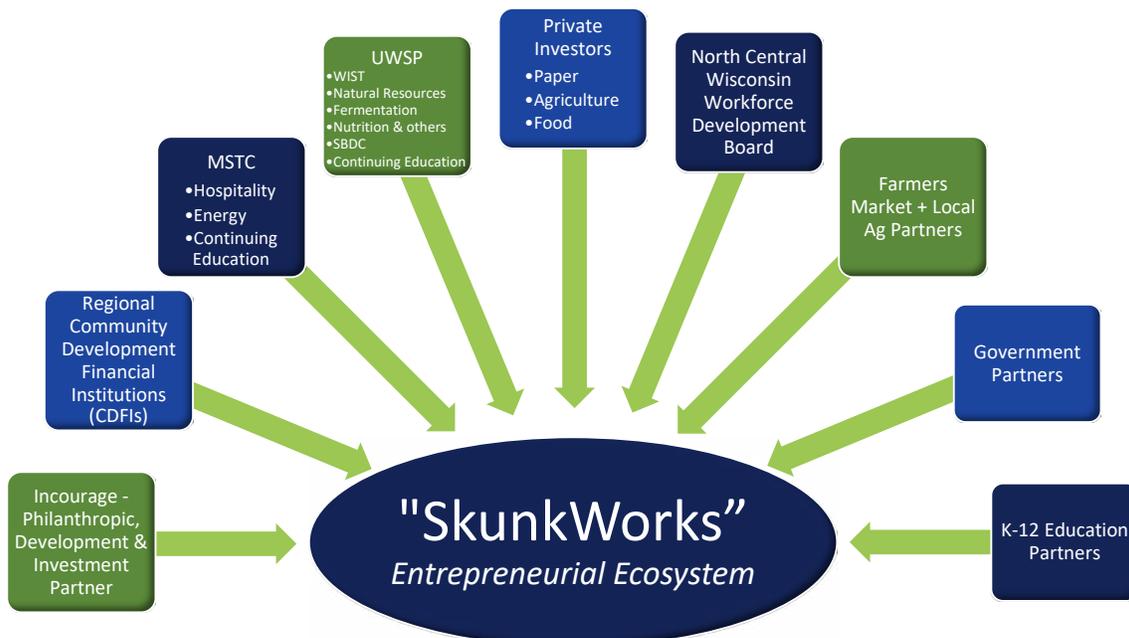
collateral (which can be liquidated to repay the debt) and/or loan guarantees.

### Cultivating an Entrepreneurial Ecosystem

Impact investors typically seek to address systemic issues or problems that are not being fully addressed through conventional capital markets or government operations. As such, they take on complex issues that seldom can be resolved through financing by itself. In addition to building a pipeline of feasible impact investments, therefore, the landscape scan typically looks to identify regional co-investors and other partners with whom the investor can collaborate to build a strong marketplace for impact investing. The resulting network is often called the entrepreneurial ecosystem.

Critical partners in this ecosystem include government agencies that provide technical assistance and credit enhancement; financing intermediaries (which typically provide technical assistance along with financing); dedicated technical assistance providers such as business consultants; professional advisors such as attorneys and accountants; and a range of real estate managers who may operate hubs and accelerators that combine many services to enhance the odds of success among both for-profit and nonprofit organizations. Through the Partnership for Sustainable Communities at the Tribune in Wisconsin Rapids, Incourage and the University of Wisconsin Stevens Point will assemble a full range of supports for entrepreneurs in a renewing, largely rural sustainable economy (Figure 6).

FIGURE 6. PARTNERSHIP FOR SUSTAINABLE COMMUNITIES  
A Central Wisconsin Entrepreneurial Ecosystem



As a potential impact investing strategy takes shape, the investor is typically planning for next stages in the impact investing life cycle, including how to memorialize the strategy in an investment policy statement and how to develop processes and procedures for executing the range of investment functions (see Sections III, Impact Investment Policy & Governance, and IV, Process & Procedures). Often the investor will make one or more early impact investments as all of these stages proceed.

### Getting Started

Foundation impact investors often build their initial impact investing strategies around their grant programs, using impact investing to sustain and/or scale initiatives that they are also advancing through grants. Other institutions may build their impact investing strategies by enhancing their traditional asset allocation (allocation of investment assets across different investment types, such as cash, bonds, stocks and alternatives) by making impact investments (or SRI-ESG investments for traded securities) across asset classes. WI3C co-founders have used each of these approaches, sometimes using both together over time.

### Building an Impact Investing Strategy around a Grants Strategy in Milwaukee

WI3C co-founder, the Greater Milwaukee Foundation (GMF) proposed to incorporate impact investing as an additional tool in its efforts to create inclusive economic vitality in its region. GMF aimed to create enhanced investment relationships with a broad range of business and organizational partners that shared its goals to create quality jobs, build assets and transform Milwaukee's LMI communities and communities of color for the primary benefit of current residents. This strategy complemented the Foundation's grantmaking and convening activities to promote racial equity and accelerate and augment measurable change.

GMF observed that investments made into social enterprises with the intention to generate economic and social benefits can work together with its grantmaking. Strategies to create jobs typically call for investments in small businesses, which may take the form of debt, equity, or equity-like investments (debt with equity features). Where the strategy further targets "social enterprises" – businesses that seek to create quality jobs, build assets and transform LMI communities— investment on flexible or concessionary terms is often required, along with complementary grant and networking strategies that build the entrepreneurial ecosystem described above to support emerging firms and entrepreneurs.

The Impact Investment Committee (IIC) is GMF's standing committee, responsible for recommending the establishment and modification of its impact investment policy, as well as

*Greater Milwaukee Foundation engaged its donors and a financial advisor partner to serve as its Investment Committee, and several donors invested in the strategy. These corporate leaders, entrepreneurs and teachers expressed strong commitment to helping address the disparity and barriers to opportunity in many urban neighborhoods.*

#### ENGAGING DONORS AND COMMUNITY PARTNERS IN IMPACT INVESTING IN MILWAUKEE

In planning a pilot impact investing program, Greater Milwaukee Foundation (GMF) created a Task Force to guide the strategy, including board members, community volunteers and donors with a commitment to impact investing as a regional revitalization strategy, along with relevant market knowledge and investment skill. Task Force members had led investment companies and corporations, were currently working in regional corporations, had achieved entrepreneurial success in creating regional businesses and/or brought legal or educational expertise along with strong community ties. Working with an impact investment advisor, the Task Force created a business plan outlining GMF's initial impact investing strategy, including decision points where the Task Force would need to recommend a course of action to GMF's full board.

GMF again engaged its donors and a financial advisor partner to serve as its Investment Committee, and several donors invested in the strategy, as well as serving on the committees. With decades living or working in Milwaukee, these corporate leaders, entrepreneurs and teachers expressed a strong commitment to helping address the disparity and barriers to opportunity in many of Milwaukee's urban neighborhoods. Several had worked their way up in successful businesses, but noted that opportunity was not equally shared in Milwaukee's intensely segregated communities of color. They valued the chance to back young entrepreneurs of color who are sparking attractive redevelopment and job creation in these communities. Based on this early success, GMF is planning an expansion of its impact investing program.

monitoring implementation as ratified by the GMF board. The IIC is also responsible for recommending individual impact investments for approval by GMF's board. The IIC is also responsible for recommending individual impact investments for approval by the Board to be held in its impact investment pool.<sup>22</sup>

A Technical Sub-Committee (TSC) is responsible for reviewing due diligence on proposed investments (by GMF staff), providing additional technical review as necessary and reporting results of the technical review to the IIC. Members of the TSC help comb through the finer details of the proposed investments for rigorous analysis of each investment request.

GMF piloted its impact investing strategy with a \$1 million initial commitment. The impact investing strategy included a mix of implementation scenarios (use of flexible debt, equity and equity-like investments in social enterprises) designed to create the most impact in creating quality jobs while mitigating investment risks and operating costs. The Foundation planned to build upon this initial commitment over time, as well as to create opportunities for co-investment among its donors and other foundations and institutions that share its commitment to a thriving, inclusive Milwaukee region.

Two years into the pilot project, GMF has committed its initial capital into four investments that are well aligned with project goals. The Foundation invested in [Wisconsin Women's Business Initiative Corporation](#) (WWBIC), a high-performing, Milwaukee-based micro and small business lender and CDFI that also provides technical assistance to borrowers. WWBIC targets its support to entrepreneurs of color and women in Milwaukee and statewide. The Foundation also made a commitment to [Alchemy Angels](#), an angel investment group led by an African American woman that seeks to invest seed capital in promising growth firms led by people of color and women.

GMF also invested in two catalytic real estate developments in Milwaukee's inner-city, both led by African American woman developers. Responding to unrest in the Sherman Park neighborhood, the [Sherman Phoenix](#) models investment in inclusive pathways to economic opportunity for the City's neighborhoods and families to thrive. This urban accelerator offers high-quality space for small businesses of color offering diverse foods, wellness services and cultural activities, along with community spaces to curate art exhibits, film showings and cultural events. [5 Points Gallery](#) is an exhibition space focused on increasing representation and collectorship of contemporary works by artists of color and other marginalized groups and a "conscious reinvestment project, embedded in the operator's childhood north-side

Milwaukee neighborhood of Harambee/Williamsburg Heights." Housed in a historical structure, the former premier, Black-owned Johnson-Goolsby Funeral Home and Services, the redevelopment includes a 3,000 square foot art gallery with a gift shop for professional visual art exhibitions and special events, nine artist work studios, a shared commercial kitchen for culinary artists and caterers and two artist residency apartments.



Milwaukee's 5 Points Gallery exhibition space

### Building an Impact Investing and SRI-ESG Strategy around Traditional Asset Allocation

WI3C co-founder Inourage of Wisconsin Rapids has committed to align 100% of its assets with its mission and values. While it is leading this strategy with catalytic investments such as the purchase and redevelopment of Wisconsin Rapids' iconic Tribune building as an economic and community hub, the philanthropy has since 2005 also increasingly selected investments across its traditional asset allocation that are aligned with its place-based mission and values of equity, opportunity and shared stewardship (see further discussion under Section III, Investment Policy & Governance).

This approach of aligning investments across asset classes to a vision of building inclusive, healthy and sustainable Wisconsin communities is available to any investor over time. As described below and summarized in Figure 7, several WI3C co-founders have made impact investments across asset classes (cash, fixed-income, equity and/or alternatives), while others have launched their impact investing with a single asset class, such as a loan (a form of fixed-income investment).

FIGURE 7. WISCONSIN IMPACT INVESTMENTS BY ASSET CLASS

	LIQUIDITY	INCOME & WEALTH PRESERVATION			CAPITAL APPRECIATION			INFLATION PROTECTION
	CASH/CASH EQUIVALENTS	DEBT	FIXED-INCOME (BONDS)	GUARANTEES	PUBLIC EQUITY	PRIVATE EQUITY	VENTURE CAPITAL	REAL ESTATE, COMMODITIES & OTHER REAL ASSETS
<b>ECONOMIC DEVELOPMENT (BUSINESS AND JOB GROWTH)</b>	CDFI/Local Bank or Credit Union Deposit	Loans to CDFIs/funds that make business and farm loans	Geocoded, Securitized SBA Loans		Passive Index Fund of WI-based companies	Fund that invests in companies of retiring founders where new owners are diverse and/or company focuses in a low-income community	Angel Investments in Regional Start-ups, including via accelerator partnerships	Purchase of buildings as sites for accelerators
<b>COMMUNITY DEVELOPMENT (HOUSING, HEALTH, EDUCATION, HUMAN SERVICES &amp; CULTURE)</b>	CDFI/Local Bank or Credit Union Deposit	Loans to CDFIs/funds that make affordable housing, nonprofit facilities and/or consumer loans	WHEDA bonds for homeownership; geocoded mortgage-backed securities; individual bond issues for facilities	Guarantees of bank loans for nonprofit facilities				
<b>ENVIRONMENTAL, CONSERVATION &amp; CLIMATE</b>		Loans to CDFIs/funds that finance conservation land trusts, clean energy services and green upgrades to buildings and farms	Loans to CDFIs that finance conservation land trusts, clean energy services and green upgrades to buildings and farms		Passive Index Fund of companies with low carbon footprint and/or high energy efficiency			Investment in funds that purchase and restore farms, fisheries or forests

**Cash:** Investors typically maintain modest levels of cash to meet day to day liquidity or spending needs. Many impact investors place cash in the form of insured deposits in banks and/or credit unions with a primary mission of community development, including certified CDFI banks and/or credit unions. Since 2005, Incentive has placed deposits in its local banks and credit union. Statewide, Wisconsin now has both high-performing CDFI credit unions and minority-owned banks that are committed to providing safe and sound loans and financial services to underserved customers (Figure 8). This includes two CDFI banks and two remaining minority-owned banks, including the Native American-owned, Green Bay-based Bay Bank (also a CDFI) and Milwaukee-based Columbia Savings & Loan.

**Fixed-Income:** Fixed-income securities are a form of debt (also known as bonds) requiring fixed periodic payments of interest and principal. In practice, investors may refer to a wide range of debt as belonging to the fixed-income asset class, even if the structure of the loan may be flexible. Investors typically place a portion of their portfolios in fixed-income securities to generate income and preserve wealth.

FIGURE 8. WISCONSIN CDFI BANKS & CREDIT UNIONS<sup>23</sup>

ORGANIZATION	HEADQUARTERS
Bay Bank*	Green Bay
Brewery Credit Union	Milwaukee
CoVantage Credit Union	Antigo
Hayward Community Credit Union	Hayward
Mitchell Bank	Milwaukee
Royal Credit Union	Eau Claire
Self-Help Federal Credit Union	Milwaukee

\* Native-owned CDFI

These investments provide capital for a wide range of community uses, including first-time homebuyer mortgages; loans to small businesses and farms; and loans to community facilities (buildings owned or leased by nonprofit organizations to provide local services such as health care or education).

**CDFI Investments:** Several WI3C co-founders have placed loans to high performing CDFIs (Figure 9) and similar local loan funds, which aggregate capital from many investors to relend at the community level. Incourage has invested in CDFIs as part of its fixed-income allocation. To date, its investments in CDFIs and loan funds include [North Central Community Action Program](#) (for its microlending program), [Community Assets for People](#) (CAfP, a small business lending program run by CAP Services, Inc., a Stevens Point Community Action Agency), [Forward Community Investments](#) (FCI), Wisconsin [Women’s Business Initiative Corp.](#) (WWBIC), and the [Hmong Wisconsin Chamber of Commerce](#). Incourage’s investment in FCI and CAfP served as matching funds to the \$2.68 million grant by the JPMorgan Chase Foundation that aimed to expand the capacity of the state’s CDFIs to collaborate via [Invest In Wisconsin](#). The goal is to collaborate in making loans that promote economic opportunity and reduce disparities in five Wisconsin hub cities and in the rural areas that surround them: Appleton, Eau Claire, Green Bay, Madison and Racine.

**Bonds:** Wisconsin impact investors also align traditional bonds within their fixed-income allocation to mission and values by purchasing bonds that back community development in Wisconsin. These include bonds issued by the Wisconsin Housing and Economic Development Agency (WHEDA) that provide capital to finance first-time homebuyer loans for lower-income Wisconsin families and mortgage-backed securities that support affordable housing development in low-income census tracts. They can also include bonds that support small business lending and nonprofit facilities development statewide, often including

### LAUNCHING AN IMPACT INVESTING PROGRAM VIA CDFI INVESTMENT

Madison-based, WI3C co-founder, the Schlecht Family Foundation, began impact investing through an investment in their local CDFI, Forward Community Investments (FCI). The Foundation was organized in 2015 and started grantmaking in 2018 with program areas of Meaningful work, Education for work and life and Connections to nature. As Executive Director, Stephanie Schlecht, explains, “being new to philanthropy as a family is an advantage in some ways. We don’t have preconceived notions about what a foundation is or is not. We believe there are a variety of tools in our toolbox and different ways of having impact.

...we chose FCI as an initial program-related investment because, as a foundation that does capacity building grants, we were very impressed by the capacity building that FCI was giving to borrowers alongside its financing. In addition, FCI is our local CDFI. With this PRI, we gain a finger on the pulse of what’s happening in our community. Finally, FCI is directly addressing racial equity across our state and has been for years.

Schlecht added that the Foundation sees grantmaking and program-related investing as a form of discovery. “We don’t know what we don’t know. For now, there is not much going on in impact investing in Dane County. It is not a well-known tool and there are not many examples. So, we are still learning.”

FIGURE 9. WISCONSIN CDFI LOAN FUNDS<sup>24</sup>

ORGANIZATION	HEADQUARTERS
Community Assets for People	Stevens Point
First American Capital Corporation*	Hale Corners
First Nations Community Financial*	Black River Falls
Forward Community Investments, Inc.	Madison
Habitat for Humanity of Dane County, Inc	Madison
Hmong Wisconsin Chamber of Commerce	Milwaukee
Impact Seven, Inc.	Rice Lake
Legacy Redevelopment Corporation	Milwaukee
Milwaukee Economic Development Corporation	Milwaukee
NiiJii Capital Partners, Inc.*	Keshena
Northwest Side Community Development Corporation	Milwaukee
WBD Advantage Fund, LLC	Madison
Wisconsin Native Loan Fund, Inc.*	Lac du Flambeau
Wisconsin Women’s Business Initiative Corporation	Milwaukee

\* Native-owned CDFI



green, environmental conservation features in real estate projects.

**Guarantees:** Investors typically offer loan guarantees when they hope to engage a third party to make a loan, such as a bank. Guarantees can be either funded (with reserve funds placed into a dedicated deposit or other account) or unfunded (backed by a pledge of assets that the guarantor keeps invested in traditional holdings). The guarantee amount is a contingent liability that the guarantor would need to make available in cash, should the guaranteed loan default.

Guarantees typically cover only a portion of the full loan amount originated by the primary lender. The financial due diligence for a guarantee is virtually the same as for a direct loan, as the guarantor will repay the primary lender for the guarantee amount and become the primary lender of that amount should the borrower of a guaranteed loan default on its payments.

Loan guarantees have been a critical tool in increasing access to credit for businesses, homeowners and students over the years. Part of a broader category of so-called “credit enhancement” that provides loss protection for a “senior” lender (the lender whose loan is guaranteed or credit enhanced), the best-known guarantee programs are government-sponsored. These include but are not limited to Small Business Administration (SBA), United States Department of Agriculture (USDA), Bureau of Indian Affairs (BIA), Department of Energy (DOE) and Federal Family Education Loans (FFEL, including Stafford loans).<sup>25</sup> CDFIs and selected banks are expert in using these guarantee programs to expand access to a full range of business and household credit.

While critical to community development nationwide, these programs have not yet addressed the full range of development finance needs. Relatively few government programs, for example, provide loan guarantees to nonprofit organizations, despite the essential services these entities provide. Philanthropy has created excellent resources to address these limitations in recent years, including a user’s guide to [guarantees](#) by the Global Impact Investing Network and a new, national guarantee bank spearheaded by the [Kresge Foundation](#).

Among WI3C co-founders, Bader Philanthropies has been a leader in providing loan guarantees to Milwaukee community businesses and organizations. These include a local parochial school, a day care center, a workforce organization and a small business. While some of the Foundation’s guarantees have been called (i.e., the underlying loan went into default), Bader Philanthropies’ loss rates on guarantees overall is 5%—a modest amount, given the benefit of enabling needed community projects that could not otherwise have gained access to financing.

**Alternatives:** Defined as financial assets that do not fall into one of the traditional asset classes of stocks, bonds and cash,<sup>26</sup> the alternatives asset class includes private equity, venture capital, hedge funds, and real property (real estate, land, equipment, natural resources, precious metals and commodities). From an investor asset allocation standpoint, alternatives offer expected financial returns that are not correlated with stocks and bonds (thus their returns may offset periodic declines in the stock or bond markets). As relatively risky, illiquid investments, they are also expected to deliver capital appreciation, with heightened financial

returns to compensate the investor for risk and illiquidity. From a social impact standpoint, alternatives are often longer term, “patient” investments in growth companies and real estate (including farms and forests) that may play transformational roles in the marketplace over time.

**Private Equity:** With a focus on investing in more seasoned companies, private equity can fuel the growth and continuity of local companies that stimulate economic development or advance socially responsible products and practices. Bader Philanthropies served as lead investor to spearhead the creation of one such transformational investment strategy in Wisconsin beginning in the mid-2000s, [Generation Growth Capital](#) (GGC, see vignette).

**Venture Capital:** With its emphasis on early stage companies, venture capital is critical for fueling the next generation of companies within any geography. To be

successful, however, start-up and early stage companies need significant support in addition to capital. In recent years, accelerators and hubs have emerged as vehicles for fostering start-ups through a combination of capital investment, management support and networking.

Milwaukee-based [gener8tor](#) is one such accelerator that is ranked in the GOLD-tier by the Seed Accelerator Rankings Project. With backing from American Family Insurance, gener8tor describes itself as “a turnkey platform for the creative economy that connects startups, entrepreneurs, artists, investors, universities and corporations.” Three times a year, gener8tor invests \$100,000 in each of five startups who receive a concierge experience during its 12-week accelerator program. Admission is competitive: gener8tor received 1,053 applications for its Madison 2019 program. Gener8tor invests in high-growth startups, including

### GENERATION GROWTH CAPITAL: BADER PHILANTHROPIES’ PERSISTENCE PAYS OFF IN REGIONAL BUSINESSES AND JOBS

As with many impact investments that seek to address systemic issues, the lead time to create Generation Growth Capital (GGC) was protracted, with Bader Philanthropies staying the course. After some years seeking to devise a regional venture capital fund, Bader Philanthropies worked with aligned investors R.W. Baird and BMO (then Marshall & Ilsley Bank) to launch GGC in 2007. The investors recruited Cory Nettles to lead GGC. Nettles had previously served as Secretary of Commerce for the State of Wisconsin under Governor Jim Doyle, and before that, he had been of counsel at Milwaukee-based Quarles & Brady. He was a known advocate of small and growth business development in the state with the credibility and range of critical relationships to enable GGC to succeed.

Under Nettles’ leadership, the strategy shifted from a focus on venture capital (which invests in early stage companies) to private equity (which focuses on later stage companies). The fund invests \$1 – 10 million in upper Midwest, established, lower middle market manufacturing, service, and distribution businesses with sustainable niches. Typically, GGC invests in companies undergoing succession from the original owner, with a view to retaining local jobs and, where possible, putting in place a new owner of color. GGC seeks a double bottom line including a market rate of return on invested capital and positive impact on the low-to-moderate income (LMI) communities where GGC portfolio companies are typically located, including:

- › Economic Development - Being a catalyst for additional economic activity in LMI communities
- › Community Benefit - Creating jobs, increasing the tax base of LMI communities, and supporting joint ventures between majority and minority entrepreneurs that may lead to additional economic development and wealth creation
- › Wealth Creation - Creating wealth for minority entrepreneurs or employees who are climbing the economic ladder (focused especially on employee benefits programs such as 401k(s), savings programs, homeownership/walk to work, etc.).

GGC has, since inception, raised and deployed three funds of \$24 million, \$34 million and \$50 million, respectively. Fund IV is planned for early 2020. GGC is committed to the modest fund size of \$50 – 75 million, which is scaled to opportunities in the inefficient, Midwestern “flyover” market where its capital and management supports are value-added. When GGC exits the companies a few years later, new buyers are typically mission agnostic, but maintain the operations in their current LMI locations as valuable going concerns. Nettles explains that GGC investors include those focused on financial return and others interested in regional social impact, both of whom have typically re-upped in each new fund.

software, IT, web, SaaS, life science, medtech, e-commerce and hardware, supporting their growth through its network of experienced mentors, technologists, corporate partners, angel investors and venture capitalists.

Gener8tor's 81 alumni have cumulatively raised more than \$200 million in follow-on financing. Of its 81 alumni, 61% have raised more than \$1,000,000 in follow-on financing or have been acquired. Based upon this success, the gener8tor platform has expanded to include pre-accelerators, accelerators in additional cities, corporate programming, conferences and fellowships focused on entrepreneurs, artists and musicians.

While gener8tor has not explicitly sought to invest in diverse founders, leadership of its portfolio companies is far more diverse than for the venture capital field as a whole.<sup>27</sup> Demographics include:<sup>28</sup>

- › Immigration Status: 39% of gener8tor companies have at least one founder that is an immigrant or a child of an immigrant
- › Gender: 27% of gener8tor companies have at least one female founder; 17% of gener8tor companies have a female CEO
- › Ethnicity: 36% of gener8tor companies have at least one minority founder; 28% of gener8tor companies have a minority CEO. This includes:
  - › Asian-Indian: 11% founder / 7% CEO
  - › African American: 10% founder / 7% CEO
  - › Hispanic: 10% founder / 6% CEO
  - › Asian-Pacific: 6% founder / 6% CEO
  - › Native American: 0% founder / 0% CEO

Consistent with its commitment to racial equity, the Greater Milwaukee Foundation has partnered with [Alchemy Angels](#) to seek venture capital investments in promising enterprises led by people of color or having positive benefits for marginalized communities. As a network of angel investors, members make individual investment decisions. Alchemy Angels also provides mentoring to entrepreneurs who are refining their business concepts.

**Public Equities:** Investors typically invest in public equities for capital appreciation, along with the liquidity or easy ability to convert these marketable securities into cash through sale on public stock exchanges. As noted, social investors typically look to achieve values alignment in public equities portfolios through a range of tactics including exclusion of companies whose practices they see as socially and/or environmentally harmful (also known as divestment), inclusion of companies that are best in class on social and/or environmental criteria; integration of ESG criteria to

### INCOURAGE'S WISCONSIN SHARED STEWARDSHIP EQUITIES FUND: A PLACE-BASED PUBLIC EQUITIES INVESTMENT STRATEGY

Achieving diversification in public equities portfolios generally calls for including stocks from companies of different sizes, sectors and geographies. In considering how to further align its public equities portfolio with its place-based mission, Incourage in 2017 launched the Wisconsin Shared Stewardship Equities Fund (WSSEF). A customized passive index fund, Incourage weights WSSEF portfolio holdings on whether the companies employ workers in central Wisconsin, have headquarters in Wisconsin, or have employees more broadly in the state. WSSEF's impact objective prioritizes companies that have good workforce and governance practices and are working to create a new economy based on environmentally sustainable solutions. Its investment objective is to deliver returns in line with a benchmark index – here, the Russell 3000 – with minimal tracking error or deviation from the expected benchmark return.

The WSSEF allows for proxy voting and shareholder dialogue to encourage responsible practices and business growth in Wisconsin, practices which Incourage suggests are a critical component of any place-based investing strategy. With backing from the Nathan Cummings Foundation, Incourage is working with national leaders in shareholder engagement to advance a new practice called Place-Based Shareholder Engagement (PBSE).

PBSE recognizes that macroeconomic changes, including technological innovation, global competition and short-term profit-focused private equity ownership, can present overwhelming risks locally. In light of these risks, it calls on corporations to practice Corporate Community Stewardship, an approach that ensures that their operations benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.

investment decisions across a portfolio; and thematic investing that may emphasize a particular strategy such as investing in companies with a low carbon footprint. Investors in public equities also increasingly practice shareholder engagement by voting their proxies and otherwise encouraging the companies in which they own shares to adopt responsible ESG practices.

*Wisconsin's impact investors have been leaders in impact and innovation. They have demonstrated that Wisconsin is fertile ground for investing in ways that advance a more equitable, healthy and sustainable region.*

While modest in institutional size, Wisconsin's impact investors have been leaders in impact and innovation. They have demonstrated that Wisconsin is fertile ground for investing in ways that advance a more equitable, healthy and sustainable region. As described in Section VI, Collaboration & Way Forward in Wisconsin, they share a commitment through WI3C to work more closely with other state-based and national investors and partners to fully realize the potential of their efforts.



### *Wisconsin's impact investors have recruited board members and other experts with financial expertise to help guide their strategies, investment policy statements, processes, procedures and program implementation.*

Investment policy statements provide essential guidance to boards and staff in implementing impact investing, and the field benefits from the willingness of impact investors to share thoughtful examples of impact investment policy statements (see vignette and Section VII, Resources). These living documents are a tribute to visionary and flexible boards of directors who in many cases have studied industry practices and developed investment policies customized to their institution's mission, program priorities, geography and other factors.

#### **Recruiting Skilled and Values-Aligned Governance**

Wisconsin's impact investors have recruited board members

and other experts with financial expertise to help guide their strategies, investment policy statements, processes, procedures and program implementation. At Incourage, the full board is responsible for the impact and broader SRI-ESG investing, as the institution felt that the importance of aligning 100% of assets with mission merited full board attention. As noted, Greater Milwaukee Foundation convened a Task Force of board members, donors and expert volunteers to create its impact investing pilot strategy. A later Impact Investment Committee of donors and partner financial advisors with relevant financial and community experience is responsible for evaluating impact investment requests. Kids Forward recruited to its board an attorney with

#### **TRAILBLAZERS IN VALUES-ALIGNED INVESTMENT POLICY**

Impact investing and broader SRI-ESG investing among U.S. foundations have benefitted greatly from the forward thinking and collegiality of early adapter institutions. Often small to mid-sized institutions, each has been a beacon for peer foundations of all sizes and footprints—global, national or place-based within communities.

In the 1980s, the [Jesse Smith Noyes Foundation](#) began to align all of its assets with mission and has long shared its investment policy statement on its website. More recently, the Foundation has added a helpful white paper on its investment advisor selection process.

In the mid-1990s, the [F.B. Heron Foundation](#) began its journey to aligning 100% of assets to mission. Throughout the process, the Foundation's staff and board generously shared their insights with peer foundations nationwide. Their early writings on the topic, including reflections on [mission stewardship](#) and fiduciary responsibility by William Dietel, the Heron's former chairman, have provided inspiration and helpful guidance to directors and staff of many organizations over the years. Today, the Foundation shares its [investment portfolio](#) as well as investment policy statement on its website, along with reflections on its still evolving investing practices.

In 2000, Charly and Lisa Kleissner created the [KL Felicitas Foundation](#) with a mission to enable social entrepreneurs and enterprises worldwide to develop and grow sustainably. The Foundation also actively advocates its impact investing strategy and its invitation-only grant program complements its impact investing program. The Foundation shares extensive information about its 100% mission alignment investment policy, portfolio and performance on its website.

In 2016, [Incourage](#) adopted an investment policy statement reflecting its commitment to align 100% of assets to mission. As a place-based, values-led and resident-centered philanthropy Incourage is committed to working with residents to co-create an inclusive, adaptive community through a connected capitals approach that taps the community's moral, human, social, intellectual, reputational and financial capital, while preserving the region's natural capital. Its investment policy serves this inclusive vision and extends to principles of asset manager and vendor selection.

extensive investment experience when it wanted to implement an SRI-ESG investing program (see vignettes).

**Crafting an Impact Investment Policy Statement.** Many impact investors begin to make impact investments before creating a formal policy for doing so. This may happen because an impact investment opportunity presents itself that meets the financial criteria of the investor’s existing investment policy statement. Or it may happen because the investor gets a time-sensitive impact investment request, such as for a bridge loan against pledged grants. Over time,

institutions that choose to make impact investing a formal element of their investment strategy will typically memorialize guidelines in an investment policy statement. They may do so by modifying their existing investment policy statement or by creating a stand-alone impact investing policy statement.

As with any investment policy statement (IPS), an impact investment policy statement (IIPS) typically addresses the following issues: Purpose & Scope; Definition of Duties; Objectives & Constraints; Criteria & Guidelines; and

### VALUES-DRIVEN BOARD MEMBERS: A NECESSARY INGREDIENT FOR IMPACT INVESTING SUCCESS

**Kids Forward** identified Keith Johnson as a board member who could help the organization to shift its investment policy for its modest endowment towards mission and values alignment. Keith had provided legal support to large institutional investors for their investment policies, governance and transactions, and had followed the evolution of social investing over the years. Kids Forward adjusted its investment policy to allow for ESG integration a couple of years ago and the new approach is working and is meeting expectations. Now the organization is asking, to what extent can it be a catalyst for impact investing in Wisconsin? Serving this role is important to the organization, as it fits with its goal of improving opportunities and removing roadblocks to success for kids and families in Wisconsin. Capital and the finance system are integral to the problem and can be part of the solution. The organization’s goal is to move more money from creating problems of unequal opportunity (such as jobs that do not pay a living wage), to enhancing equal opportunity (such as creating employment opportunities for ex-offenders, and ensuring access to quality, affordable housing, healthcare and daycare arrangements).

Keith reflects that the “impact investing field has evolved over the last decade.... there are new ways of structuring investments to provide market rate or near market rate of return while creating social impact. Kids Forward would like to increase the amount that we are investing for impact and would be willing to consider investing a portion of our funds in below market-rate investments where the outcomes are consistent with our goals. From the Guide and other WI3C efforts, we are interested in understanding where we can be most impactful in Wisconsin—both what we will do with our portfolio and how we can help to motivate a much larger group of investors to get in the game. With some of the largest nonprofits in the state saying this is important and showing what can be done, there is help for educating skeptics.”

**Incourage** recruited Dale Bikowski as a board member, knowing of Dale’s broad financial perspective as director of Financial Analysis and Control at Sentry Insurance and previous Controller for Wisconsin Rapids’ publicly-traded paper mill. One of the visionary directors that led Incourage’s commitment to align 100% of assets with mission, Dale is confident that the philanthropy’s commitment to investing in a local economy that is inclusive and sustainable is consistent with fiduciary obligations.

“For the last 30 years, I have been involved in finance and bring this expertise to the nonprofit boards that I serve on. Impact investing isn’t anything new. It has been around for decades, if not centuries. People have always wanted to help one another out. If they wanted to target their funds and see their funds at work, they would invest locally and help their economies. So, you can target areas in your community that you want to have an impact on, as opposed to investing for straight financial return in ways that may actually be counter to your mission.

The impact investing fund at Incourage was established to allow local community members to invest in their community. Impact investing supports local entrepreneurs, a key focus of Incourage’s Tribune building. Investments such as these help the community by providing new jobs and making it a better place for all. It is very difficult for the individual person to find projects and screen for where they should put their money locally. By pooling with Incourage, we can see projects that have the most impact and potential in the community.

I see a lot of change in the community and hope in the residents. It’s very exciting to be involved in helping to lead that effort.”

Monitoring & Reporting (on financial and social performance of the impact investment portfolio). The IPS for an impact or SRI-ESG investor may go further to discuss an institution's broader commitment to aligning all policies, practices and resources or "capitals" to mission and/or values.

Within the Criteria & Guidelines section, the impact investor typically sets out the amount of its allocation to impact investing (dollar amount or percentage of assets), as well as targeted geography (if any), themes or sectors, asset classes, asset manager selection criteria (including any potential proactive commitment to seeking diverse managers) and direct investment selection criteria. Some impact investors will only make direct investments if a suitable intermediary for the investment cannot be found, while others favor direct investing or a mix of both intermediary and direct styles.

Trustees can take comfort that the practice of impact investing has developed over a period of decades. During this

time, the field has continued to build a track record of rigorous investment discipline and reliable financial and social performance, while the regulatory framework has evolved to more clearly sanction the practice.

The Internal Revenue Service (IRS) in 2015 provided new, helpful guidance for private foundation investors seeking to make either PRIs or MRIs. On the PRI front, the IRS published new examples of PRIs that illustrated the broad flexibility of this tool to drive charitable purpose in a variety of sectors, as well as through both nonprofit and for-profit investees. On the MRI front, the IRS clarified that, consistent with state laws for the management of institutional assets, investors need not always seek the highest financial return, lowest risk or greatest liquidity on investments, provided that they take requisite ordinary business care and look out for the furtherance of the foundation's charitable purpose (see vignette).

## REGULATORY & PRACTICAL GUIDANCE ON MISSION-RELATED INVESTING

In 2015, the IRS issued [Notice 2015-62](#) clarifying that a private foundation need not select only investments that offer the highest rates of return, but can also take its charitable purposes into consideration when exercising ordinary business care and prudence in investment decisions:

*".... when exercising ordinary business care and prudence in deciding whether to make an investment, foundation managers may consider all relevant facts and circumstances, including the relationship between a particular investment and the foundation's charitable purposes. Foundation managers are not required to select only investments that offer the highest rates of return, the lowest risks, or the greatest liquidity so long as the foundation managers exercise the requisite ordinary business care and prudence under the facts and circumstances prevailing at the time of the investment in making investment decisions that support, and do not jeopardize, the furtherance of the private foundation's charitable purposes. For example, a private foundation will not be subject to tax under section 4944 if foundation managers who have exercised ordinary business care and prudence make an investment that furthers the foundation's charitable purposes at an expected rate of return that is less than what the foundation might obtain from an investment that is unrelated to its charitable purposes.... This standard is consistent with investment standards under state laws, which generally provide for the consideration of the charitable purposes of an organization or certain factors, including an asset's special relationship or special value, if any, to the charitable purposes of the organization, in properly managing and investing the organization's investment assets."*

Attorneys that specialize in impact investing have provided additional useful guidance, including the following [process guidance](#) from Patterson Belknap:

- › Make sure that your investment policy/statement addresses MRIs (market-rate impact investments) in the context of your overall investment strategy and approach, including asset allocation.
- › Articulate the general and/or specific aspects of mission alignment that you would like to see in an MRI or an MRI program and develop a process to ensure that such review is captured (and documented) as part of the investment process.
- › Make sure the people responsible for sourcing and making MRIs coordinate with your regular investment team (if they are different).
- › Lastly, periodically review your investment policy/statement to make sure it is current and reflects the needs (both mission-related and financial) of your foundation.

## SECTION IV: PROCESS & PROCEDURES

*Many investors outsource impact investing tasks, but an increasing number are forming shared services collaboratives and/or shifting their staffing models to attract new hires with impact investing skills....fortunately, impact investors tend to be highly collaborative and share both tools and approaches.*

Moving from idea to action on impact investing and broader SRI-ESG investing calls for an institution to plan for the execution of day-to-day as well as high level implementation tasks set out in the impact investing life cycle (Planning, Policy, Process & Procedures and Portfolio Management). The following sections provide further detail on the Process & Procedures of impact investing, where institutions often carry out some of the processes in-house. This is followed by some general observations on SRI-ESG investing, where investors typically work with outside investment advisors and asset managers.

### Impact Investing Execution

The key tasks of executing an impact investment strategy include sourcing investments in a “deal pipeline;” performing preliminary due diligence to vet pipeline opportunities; proceeding to full due diligence on qualifying opportunities; structuring, negotiating and closing the investment; and monitoring and reporting on the investment.

Each institution will manage these functions differently, based upon its institutional capacity and interests, as well as the scope of its impact investing program. This includes such matters as whether or not a community foundation or public charity will seek to engage donors.

Once originated, the impact investor needs systems to monitor and report on impact investments. These differ between loans and equity investments, and investors differ in the frequency of their monitoring. But the portfolio monitoring process typically includes regularly gathering and reviewing a range of financial and social performance data on each impact investment, as well as analyzing and reporting on such performance across the portfolio of investments.

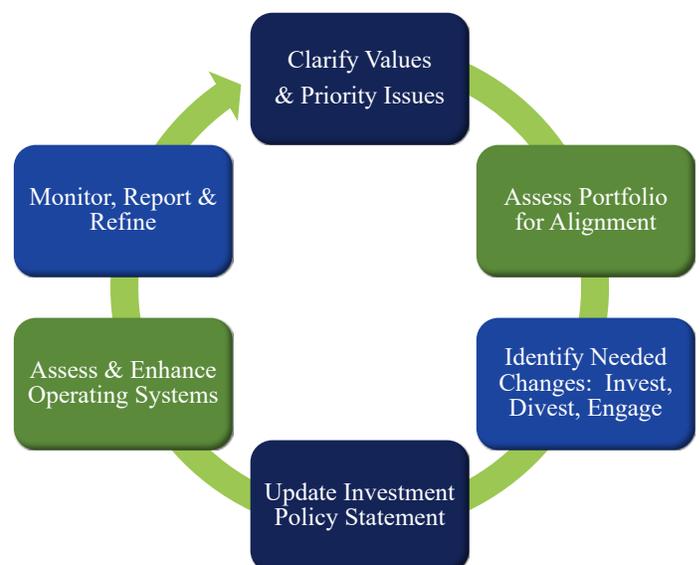
Many investors outsource impact investing tasks to consultants, but an increasing number are forming shared services collaboratives and/or shifting their staffing models to attract new hires with impact investing skills and interest. These trends reflect the experience that even small-scale impact investing programs involve new systems, processes

and procedures, which the field is evolving to manage. Fortunately, impact investors tend to be highly collaborative and share both tools and approaches. WI3C co-founders have long been such collaborators and as further discussed in Section VII, are working together to deepen this collaboration with a view to promoting co-investment and potential shared impact investing services statewide.

### SRI-ESG Execution

The process and procedures are somewhat different for a foundation that is considering aligning its conventional investments with values. Here, the investor will typically work with an investment advisor in a process in which it will clarify values and priority issues; assess the current portfolio for alignment; identify needed changes and preferred tactics; update the Investment Policy Statement; assess and enhance operating systems; reallocate investments to values-aligned options; and monitor, report on and refine the values-aligned portfolio (Figure 10).<sup>29</sup>

FIGURE 10. ALIGNING AN INVESTMENT PORTFOLIO WITH VALUES



*There are a number of deeply experienced investment advisors who have supported their clients in aligning assets with mission and values for decades.*

### Finding Qualified Advisory Support

Fortunately, today investors can easily find an interested and qualified investment advisor to support them in impact investing or SRI-ESG investing, should their current advisor lack expertise. There are a number of deeply experienced investment advisors who have supported their clients in aligning assets with mission and values for decades. Experienced impact and SRI-ESG investors are usually happy to make referrals, as well as to share their Request for Proposals (RFP) templates that can assist investors in finding highly qualified investment advisor support. In addition, the number of impact and SRI-ESG investment advisors is increasing as these practices are being mainstreamed and professional associations such as the CFA Institute and US Forum for Sustainable, Responsible and Impact Investing (USSIF) are collaborating to provide professional training and certification.



## SECTION V: PORTFOLIO MANAGEMENT

*Often captured in the saying “nothing about us without us,” community engagement is a core principle for many Wisconsin impact investors. As the field evolves, impact investors nationally are seeking substantive ways to more fully realize the widely held values of Diversity, Equity and Inclusion.*

As an impact investing program is operationalized, the portfolio management function brings the range of activity together with other, ongoing mission-driven activities of the investor. In board and stakeholder discussions, directors periodically review whether an impact investing program is fulfilling its potential and advancing organizational mission and values, just as they might for a grant or other institutional program.

To support these reviews, investors typically develop methods for tracking and reporting on social as well as financial performance of their impact investing and/or broader SRI-ESG portfolios. They often develop plans for additional impact investing and/or collaboration.

Occasionally, they may shift the focus of their impact investing program, reducing some aspect in order to increase focus elsewhere. Concurrently, the impact investing team typically continues its day to day activities of sourcing, diligencing and originating new investments, as well as monitoring and reporting on the existing portfolio.

Refinements of impact investing programs over time often include some or all of the following elements:

**Measuring Social Impact:** The field continues to refine its methods for measuring the social and/or environmental performance of impact investments. Emerging approaches are grounded in the recognition that all investors and companies create positive and negative effects on society and

FIGURE 11. INVEST IN WISCONSIN REPORT OF SOCIAL IMPACT THROUGH 2017



FIGURE 12. NATIVE CDFI COLLABORATIVE INCREASES CAPITAL IN WISCONSIN'S TRIBAL COMMUNITIES



the environment, and impact investors seek to maximize the positive and minimize the negative.<sup>30</sup> As noted in Section I, investors are increasingly aligning their social metrics tracking with the Sustainable Development Goals and IRIS metrics. At a practical level, they are also selecting a few key performance indicators (KPIs) that they can roll up to report social impact across their impact investing portfolios—an area where Wisconsin’s CDFIs provide outstanding models for adaptation. Finally, many impact investors complement these output metrics with stories that convey outcomes for the communities and residents that impact investments serve (Figures 11 - 14).<sup>31</sup>

Wisconsin benefits from four strong Native CDFI (NCDFI) loan funds – working as the Wisconsin Indian Business Alliance (WIBA) - that provide loans to tribal members located both on and off the 11 Native Nations reservations located within the state. These Wisconsin NCDFIs also work with the NCDFI Bay Bank located in Green Bay, WI which is owned by the WI Oneida Nation. The WIBA NCDFIs work in close partnership for the tracking and reporting of collective social impact (Figure 15). In addition to this NCFI collaboration, First American Capital Corp. (FACC) provided back office loan administration services to the Hmong Wisconsin Chamber of Commerce when it began its lending

FIGURE 13. FORWARD COMMUNITY INVESTMENT’S THEORY OF CHANGE: Fueled by Impact Investors & Grantmakers since 1994

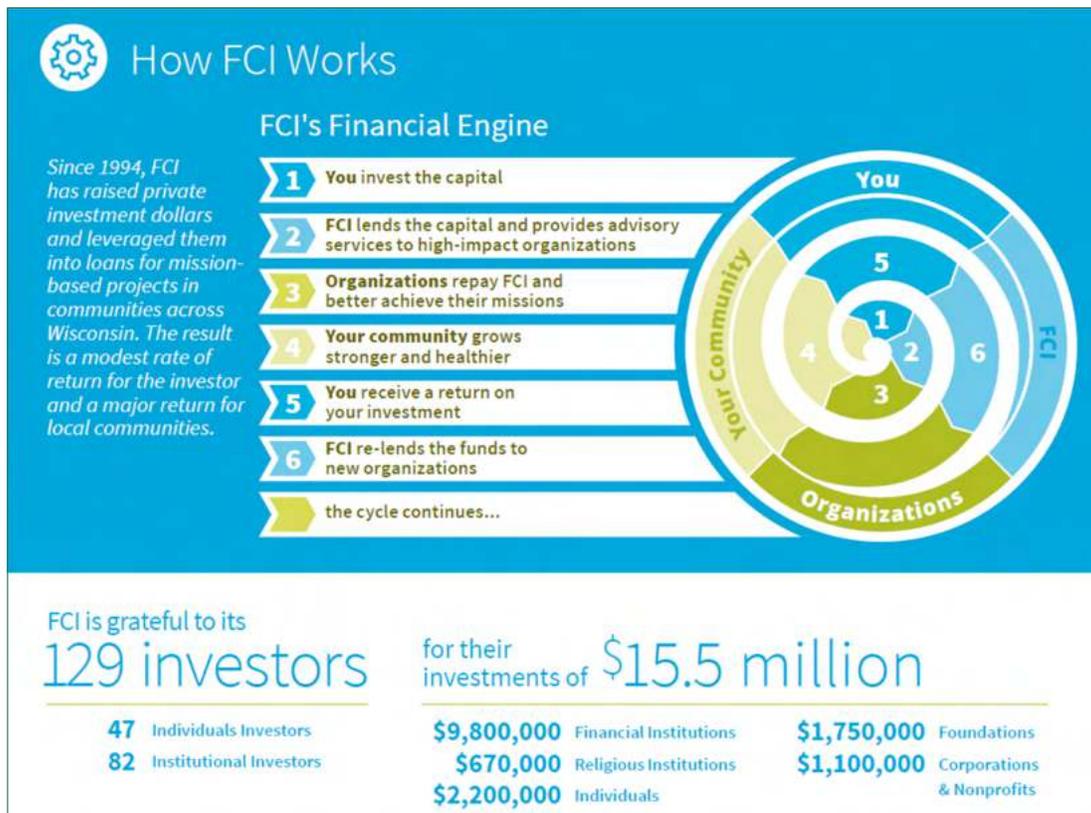


FIGURE 14. STORIES OF IMPACT INVESTMENTS AT WORK IN WISCONSIN FINANCED BY INVEST IN WISCONSIN CDFIS



### BRILLION APARTMENTS

Small towns are often faced with limited affordable housing options. As a result, seniors, in particular, are forced to leave communities in which they have lived their whole lives because they cannot manage the cost and demands of homeownership. Invest in Wisconsin partner, Community Assets for People, provided funds to its parent organization and one of Wisconsin’s most successful nonprofit developers, CAP Services, to build Brillion Apartments—a 24 unit rental development of senior and family housing on the north side of Brillion. Close to services and commerce that people need, the units have attached garages, private outside entrances, appliances and in unit laundries. All utilities, except for electricity, are included. To keep rents affordable, Community Asset for People worked with Cap Services to secure a financing structure or “capital stack” including equity from tax credit investors, conventional lending and competitive affordable housing funds.



### CONSUMER AUTO LOANS

Faced with a high risk pregnancy, Ally Burke had been unable to work during the late spring and early summer of 2015. As the primary wage earner for her family, this required rigorous financial management. Morgan, her husband, was working part time and also enrolled in school, pursuing a certified nursing assistance degree. When the family’s 2003 Mazda broke down, the family had few financial options to overcome their transportation issues. Ally contacted the Cap Services Work-N-Wheels program, which worked with Invest in Wisconsin Partner, Community Assets for People, to finance a vehicle purchase. The Family found a car just before the Wisconsin winter kicked in. Ally returned to work, Morgan continued to work and go to school, and the family was able to go where they need to go!



### ONE CITY LEARNING CENTERS

Located on Madison’s Southside, the Center is situated in one of the most racially, ethnically and economically diverse neighborhoods in Wisconsin. Parents have searched for quality childcare in their neighborhood, where stories of parents commuting long hours to access affordable care were common. With flexible financing and hands-on technical assistance, One City Early Learning Centers opened its doors in late 2015 in a neighborhood that Vice President and Center Director, Marlo Mielke, described as an “early childhood education desert.”



### FEED KITCHENS

In 2013, Food Enterprise & Economic Development Kitchens opened, offering food vendors accessible, affordable and professional commercial kitchen space. Located on Madison’s Northside, FEED Kitchens is a project of the Northside Planning Council (NPC), and home to nearly 80 food businesses including bakers, caterers, professional chefs, coffee roasters, meat smokers, sauce makers, spice mixers and cake decorators. FEED Kitchens is managed by Adam Haen, an experienced Wisconsin chef and navigator in helping food businesses to complete licensing and approval processes, as well as find markets for their products and services. Getting FEED Kitchens up and running was challenging, given the specialty nature of a commercial kitchen and FEED Kitchen’s unique business model. Invest in Wisconsin partner Forward Community Investments (FCI) saw the potential right away and was able to provide a \$265,000 loan.



### PRO ELECTRIC

As a young father of year old triplets in 2005, Native American Craig Clements made a bold move when he obtained his Wisconsin Master Electrician’s license, ISA Level II certification, and then promptly went into business for himself. Today, Pro Electric is a robust, full-service electrical contractor actively working on commercial, industrial, street lighting, traffic signal, railroad and airport projects statewide and beyond. Sufficient working capital is important to every business, but especially important given the niche services that Pro Electric provides. Twice in 2009 and again in 2015, Invest in Wisconsin partner First American Capital Corporation, the lending arm of the American Indian Chamber of Commerce of Wisconsin, was there to provide loans for a dump truck, excavation equipment and the expansion of the Directional Boring Division, which has proven to be the most profitable for Craig’s company.



### BUTTONS AND BOLTS

When her local quilt shop closed, Heather Deegan saw a need in her community. There was not another quilt shop in a 20-mile radius, and finding high-end products online was challenging—the look and feel of products is not easy to appraise unless you know exactly what brands to buy. The big box stores were great on prices but low in quality. Tired of the lack of options, Heather decided that she wanted to open her own store. She turned to Invest in Wisconsin member, Wisconsin Women’s Business Initiative Corporation (WWBIC), where she was delighted by the knowledgeable staff—many previous business owners themselves—who understood her needs. Since successfully receiving a WWBIC loan, Heather keeps in contact with her WWBIC financial advisor for sound advice.

program in 2007. FACC and the Hmong Wisconsin Chamber continue to collaborate on technical assistance programs for borrowers and participation loans through the Wisconsin Community Lending And Networking Strategy (WI\_CLANS) project – made possible through the 2018 support of the Wells Fargo Diverse Community Capital program. In 2008, Bader Philanthropies made a PRI in FACC to fund a loan loss reserve. This was followed by a Bank of America investment that enabled the CDFI to expand its SBA Microlending to small American Indian-owned businesses throughout Wisconsin. Most recently, the FACC received grant funding through the Greater Milwaukee Foundation Nonprofit Management Fund to refine internal controls and management systems resulting in FACC qualifying to contract with the Wisconsin Economic Development Corporation as a Key Strategic Partner.

**Community Engagement:** Often captured in the saying “nothing about us without us,” community engagement is a core principle for many Wisconsin impact investors. As the field evolves, impact investors nationally are seeking substantive ways to more fully realize the widely held values of Diversity, Equity and Inclusion (DEI). These range from surveying residents on their development preferences, to involving residents in community planning, to ensuring that residents have a voice in decisionmaking that affects their communities.

Bader Philanthropies has taken a lead in this area through its emphasis on collaboration as an essential component of its philanthropy (see vignette). Greater Milwaukee Foundation is advancing its commitment to community engagement and racial equity in every aspect of its impact investing program, including an emphasis on investing directly in diverse-led, community-based projects and initiatives. Incourage has organized its philanthropy and impact investing around resident engagement and power sharing through the concept of “connected capitals” which engages its own and the community’s moral, human, social, intellectual, reputational and natural capital with financial capital to advance a core purpose of co-creating an inclusive, adaptive community that works well for all. Over 2000 residents participated in the planning and design process for the Tribune community and economic hub, and a Sustainable Communities Working Group comprised of local residents is currently preparing a blueprint for a sustainable regional economy that will be incorporated into the strategy for the Partnership for Sustainable Communities housed at the Tribune.

**Capacity Building:** Successful impact investing works in tandem with grant, capacity building and networking efforts to build healthy markets in communities that have often lacked access to capital. Capacity building efforts are tailored for small businesses, nonprofit organizations and households.

### BADER PHILANTHROPIES: WORKING TOGETHER FOR CHANGE

“When we consider the scope of projects funded by [Bader Philanthropies](#)– from helping Milwaukee’s children stay safe from after-school violence to helping senior citizens around the world age with grace and dignity – our task can seem a little overwhelming.

Luckily, we don’t work alone. We work closely with community leaders who have great ideas, along with the drive to make them happen. We talk with other foundations about the challenges they face in their cities and work together to create strategies to overcome them. We work to build a strong network of nonprofit organizations who want to collaborate with one another.

Although grantmaking is our primary tool, we couldn’t do it effectively if we weren’t also focused on gathering ideas and sharing them with our peers, grantees, and partners. Real, lasting change can only happen when people work together, and bringing them together is what Bader Philanthropies is all about.”

They range from help with understanding budgets and preparing to qualify for a loan or investment, to extensive support for business planning, meeting space, human resources needs and making connections with other businesses and organizations to create a regional value chain. Impact investors may spearhead capacity building programs, as in the Blueprints program operated by Incourage with USDA support (Figure 15).

**Shareholder Engagement:** Also known as active ownership and shareholder advocacy, shareholder engagement is the practice of voting proxies and otherwise engaging with the management of publicly traded corporations to promote responsible policies and practices. As noted by the Interfaith Center on Corporate Responsibility (ICCR), one of the nation’s leading organizations that promotes shareholder engagement, shareholder engagement acknowledges “the responsibility that comes with stock ownership to ensure that management is doing what it can to improve its performance both financially and in terms of environmental, social and governance (ESG) measures as this has direct implications for communities where they operate and throughout their global supply chains.”

Wisconsin’s faith-based investors have for decades been national leaders in shareholder engagement through

FIGURE 15. BLUEPRINTS FOR TOMORROW



**BLUEPRINTS FOR TOMORROW**

Blueprints for Tomorrow, a 25-month, Incourage-led and USDA-supported program held in 2016-2018, was designed to build networks, vision and skills to lead a new regional economy based upon the values of equity, opportunity and shared stewardship.

The Blueprints curriculum consisted of four integrated tracks of learning that were designed in partnership with national thought leaders, presenting lessons for communities nationwide. These included adaptive leadership; impact investing; collaborative development practices; and local, inclusive, and sustainable economies. By combining training, coaching and community knowledge with evolving design and finance tools, Blueprints helped our community's institutions do business in new and different ways, and ensured that they are prepared to support an entrepreneurial culture shaped by resident participation.

Participating organizations included Central Rivers Farmshed, City of Wisconsin Rapids, Incourage, John E. Alexander South Wood County YMCA, Wisconsin Rapids Housing Authority, and Wood County.

organizations like the [Seventh Generation Interfaith Coalition for Responsible Investment](#). More recently, as noted, Incourage is working with ICCR and other national partners to advance a practice known as Place-Based Shareholder Engagement (PBSE). This reflects the reality that corporations exist within communities, typically with capital invested by local investors who are both shareholders and stakeholders. As shareholders, investors understand corporations' need to expand market reach, create efficiencies and innovate. As community stakeholders, they understand that these actions too often result in downsizing of US operations, with debilitating costs to local workers and communities who typically contribute greatly to corporate profitability. PBSE advances a concept of Corporate Community Stewardship, which aims for greater engagement between corporations, shareholders and stakeholders to address the challenges and opportunities created by dynamic global markets, greater corporate accountability across sectors and more equitable and sustainable prosperity for all.

*In seeking to create more equitable, inclusive and sustainable local and global communities, impact investors have continuously innovated.*

**Innovation:** In seeking to create more equitable, inclusive and sustainable local and global communities, impact investors have continuously innovated. Over five decades, the field has expanded the practice to additional sectors—from community development, to environmental conservation, education, asset building, health and arts and culture. It has diversified the range of asset classes used to drive social change, from an early focus on loans to nonprofit organizations to increasing use of venture capital and private equity to create for-profit businesses that are agents of change and job creation. In recent years, it has expanded the use of accelerators—conducive shared workspaces and other supports—for emerging companies, while at the same time expanding debt financing for businesses with democratic forms of ownership, such as cooperatives and employee stock ownership plans (ESOPs). It has honed social impact measurement and created the related, novel investment structure known as pay for success (PFS, also known as social impact bonds) where repayment of the investment is dependent on meeting social impact performance thresholds.

**Parallel Policy Effort:** The steady course of innovation and professionalism in the field of impact investing has contributed to its robust, ongoing growth. So has conducive policy. Thus, fair lending laws and the Community Reinvestment Act have contributed significantly to the amount of capital that banks have directed into low-income communities and communities of color over recent decades, including through their significant investments in CDFIs. Similarly, the regulatory support for program-related investing and mission-related investing by foundations (PRIs and MRIs) continues to spur billions in investments targeted to solve social problems or unlock opportunity. At the same

FIGURE 16. FORWARD COMMUNITY INVESTMENT'S COMMUNITY INVESTING POLICY LEADERSHIP



## ADVOCACY

- › From time-to-time, Forward Community Investments engages in different forms of advocacy. Sometimes, it advocates and lobbies for the CDFI industry, both nationally and statewide. From a national perspective, we take our lead from Opportunity Finance Network, the CDFI Coalition or the New Market Tax Credit Coalition. When we work statewide, we frequently work with other Wisconsin-based CDFIs or with state legislators.
- › We also advocate on behalf of our borrowers and sectors that we serve. This type of advocacy typically involves support of government funding or legislation. In this case, we will oftentimes write letters of support, call our elected officials, and inform our Facebook followers to do the same.
- › And, most important, we advocate on behalf of our own mission and support causes and efforts that address issues of racial disparities and socioeconomic inequities.

## WHY ADVOCACY IS IMPORTANT

- › Whether you are advancing a cause, sector or mission you believe in or warding off a policy threat, advocacy gives voice to your opinion.
- › When done effectively, advocacy is an investment of time and resources that can lead to systemic change.
- › Advocacy strengthens the voices of the underrepresented and provides policymakers of all stripes with information they need to make informed decisions.
- › Advocacy is a “team sport” and, to that point, it brings together diverse members of the community to support a specific cause.

## ADVOCACY VERSUS LOBBYING\*

- › Advocacy is the process of stakeholders making their voices heard on issues that affect their lives and the lives of others at the local, state, and national level. It also means helping policymakers find specific solutions to persistent problems. Most nonprofits can and do engage in as much advocacy as possible to achieve their goals.
- › Lobbying, on the other hand, involves activities that are in direct support of or opposition to a specific piece of introduced legislation. While nonprofits can engage in some lobbying, the IRS has strict rules about what portion of their budget can go toward these activities. There are also prohibitions on any use of federal funds for lobbying.

## EXAMPLES OF ADVOCACY VS. LOBBYING\*

### Advocacy

- › Telling your member of Congress how a federal grant your organization received has helped your constituents.
- › Educating a member of Congress about the effects of a policy on your constituency.
- › Inviting a member of Congress to visit your organization so that he/she may see firsthand how federal funding or a policy affects day-to-day operations and the difference it makes.

### Lobbying

- › Asking your member of Congress to vote for or against, or amend, introduced legislation.
- › Emailing a “call to action” to your members urging them to contact their member of Congress in support of action on introduced legislation or pending regulations.
- › Preparing materials or organizing events in support of lobbying activities.

\*Prepared and presented by the National Council on Aging. *WI3C members caution that that public charities such as FCI may do some lobbying, but private foundations, except for lobbying on behalf of philanthropy itself, such as lobbying for excise tax reduction, may not engage in or fund any lobbying activities.*

## COMMUNITY ASSETS FOR PEOPLE IN STEVENS POINT ORGANIZATIONAL INNOVATION TO ADDRESS COMMUNITY CAPITAL NEEDS

Throughout Wisconsin, impact investing has developed as a way to address disparity, alleviate poverty and create inclusive economic opportunity. Many of Wisconsin’s 23 Community Development Financial Institutions (CDFIs) focus on these issues. Stevens Point-based Community Assets for People (CAfP), was started in 1991 by Cap Services, Inc., a community action agency that had been on the frontlines of the War on Poverty since 1966. Carrying on the mandate of addressing poverty by purposefully engaging low-income people in shaping the programs and services they needed, CAP Services created CAfP to address the finding that low-income families could not become homeowners due to lack of a downpayment. CAfP created a deferred payment mortgage to finance the downpayment. CAfP further innovated this product to offer lease-to-own financing for small businesses that lack the downpayment for a commercial space. Most recently, CAfP has rolled out Small Loans, Big Difference, an affordable loan product designed to help families respond to emergencies, refinance predatory loans, build credit or support moving toward family goals like citizenship. CAfP has become a critical lending partner for business, affordable housing and household needs in Marquette, Outagamie, Portage, Waupaca, and Waushara counties. It is also a small business lending partner in Wood County.

time, lack of effective policy and/or lack of enforcement can undermine the potential and achievements of impact investing. As one example, while Wisconsin was an early adopter of renewable energy standards, adverse policy slowed progress until recently. While private foundations must work within regulatory guidelines when supporting policy efforts,<sup>32</sup> experience teaches that impact investors benefit greatly from partnering with advocacy organizations to ensure conducive policy is in place to support impact investing generally and community investing in particular. Wisconsin possesses strong advocates for community investing in all of its dimensions, including Madison-based CDFI, Forward Community Investments (FCI). In addition to its lending for affordable housing, community facilities,

cooperatives and other community organizations throughout Wisconsin, FCI has worked with its Invest in Wisconsin partners to inform legislators about the good work of state CDFIs through Wisconsin CDFI Day (Figure 16 is an overview of FCI’s policy leadership).

In general, impact investing seeks to drive solutions for people, place and planet in ways that are overlooked in the conventional marketplace. Often, the issues are complex and solutions involve a combination of capital, capacity building and conducive policy. As described in the next section, Wisconsin impact investors as well as the state’s CDFIs find collaboration to be an essential element of success.



## SECTION VI: IMPACT INVESTOR COLLABORATION & WAY FORWARD IN WISCONSIN

*Impact investors in Wisconsin have always shared information about investment opportunities and support services. The Wisconsin Impact Investing Collaborative represents a more formal plan to promote collaboration among the State's range of impact investors.*

Impact investors in Wisconsin have always shared information about investment opportunities and support services. The Wisconsin Impact Investing Collaborative (WI3C) represents a more formal plan to promote collaboration among the range of impact investors with a view to making it easier to invest in the state in ways that create healthy, equitable and sustainable communities for all.

Significant shared interest in impact investing sets the stage for increased collaboration among Wisconsin's philanthropies. In surveys conducted with Wisconsin Philanthropy Network in 2016 and 2019, the WI3C has found that:

- › Participation in impact investing is increasing: 24% of respondents described themselves as active impact investors in 2019, versus 8% in 2016; 40% of respondents use market-rate MRIs in 2019, up from 33% in 2016, while 100% of active impact investor respondents used charitable PRIs in 2019, up from 67% in 2016.
- › Interest in impact investing is also increasing: 48% of respondents described themselves as potential impact investors or collaborators with impact investors in 2019, versus 42% in these categories in 2016; only 19% of respondents were not interested in impact investing in 2019 versus 39% in 2016.
- › Respondents had similar priorities for impact investing in both years, with over 75% of respondents expressing interest in economic development and job creation, community development and small business including start-ups.
- › Interest in environmental conservation increased, with 75% of respondents expressing interest in 2019 versus 50% in 2016.
- › Respondents expressed greatest interest in investing in senior debt, subordinated debt and private equity or venture capital, with heightened interest in venture capital and potential real estate investing in 2019; 60% of active impact investors expressed willingness to make loan guarantees.
- › Respondents were willing to invest in a broad range of organizational types in both years, including both investing through values-aligned intermediaries and investing directly into organizations. Over 60% were willing to invest in nonprofit organizations, Community Development Financial Institutions (CDFIs), for-profit entities, Community Development Corporations, accelerators, business incubators, or land trusts.
- › Respondents typically align their impact investing with their grantmaking strategy, with 100% of respondents in both years willing to consider making a grant in tandem with an impact investment.
- › Respondents expressed a high desire for additional education on impact investing in both years, with an emphasis on board and executive education in 2019. Respondents reported that they typically learn from peers (70% of respondents in both years), while also learning from trade associations and investment advisors. They expressed a preference for additional education via webinar, online coaching and regional conferences.
- › Regarding barriers to deploying additional capital in impact investments, respondents cited lack of internal capacity and lack of deal flow. When asked about their internal capacity constraints, respondents cited sourcing impact investment deal flow (60%, thus perhaps the earlier reported lack of deal flow may be related to lack of staff time or other capacity to source deals), underwriting impact investments (40%) and structuring deals (40%).

In response to these findings, the WI3C has created this educational Guide along with a website for ongoing information sharing on impact investing events and developments affecting the state. The WI3C plans to continue to gather and share information about the state's impact investors, and invites all readers of the Guide to participate in its survey at any time.

WI3C is also planning regional web and live educational events and considering further statewide collaboration, such as creating a Wisconsin loan guarantee pool or shared services platform. A shared services platform would support Wisconsin-based and national investors in planning and executing impact investing strategies throughout the state by assembling the range of professional skills necessary to support them in carrying out the life cycle tasks of impact investing as outlined in Figure 17. This would include creating a Wisconsin impact investing dashboard to “roll up” and report on the social and environmental benefits generated by impact investments statewide.

In promoting collaboration among Wisconsin’s impact investors, WI3C members are also following collaborative efforts in other states. Neighboring states, Michigan and Minnesota, have created resources within their Regional Associations of Grantmakers to support impact investors.

Each state has also created an initiative to promote investment in market-rate fixed-income securities (bonds) that back affordable housing and small business within the states’ LMI communities. The New Mexico Impact Investing Collaborative is a shared services platform through which a consortium of that state’s investors recently carried out a Request for Applications to jointly generate impact investment opportunities and share investment due diligence. ImpactPHL is a Philadelphia-based association that promotes impact investing and regionally focused responsible business practices by both investors and organizations. GoATL is a regional investing program spearheaded by the Community Foundation of Greater Atlanta, while the Phillips Foundation is seeking to catalyze impact investing in North Carolina and Texas through live convenings and an online Impact Investing Think Tank.™ The San Joaquin Valley Impact Investment Fund and Invest Appalachia regional investment funds under development.

FIGURE 17. POTENTIAL IMPACT INVESTING SHARED SERVICES OVERVIEW<sup>33</sup>

FUNCTION	SHARED SERVICES PLATFORM
<p><b>Planning</b></p> <ul style="list-style-type: none"> <li>› Education for Board, Staff &amp; Stakeholders</li> <li>› Setting Goals &amp; Performance Metrics</li> <li>› Landscape scan, including Sourcing a Pipeline of Potential Investments</li> <li>› Leverage - Donor &amp; Partner Engagement</li> <li>› Organizational Design</li> </ul>	<p><b>Cafeteria-style menu of services</b> available to support members, as needed.</p>
<p><b>Policy – Crafting of Comprehensive or Targeted Investment Policy Statements:</b></p> <ul style="list-style-type: none"> <li>› Scope &amp; Purpose</li> <li>› Governance</li> <li>› Risk &amp; Return Objectives</li> <li>› Risk Management</li> </ul>	<p><b>Customized impact investment policy</b> for individual institutions and families--or to support a particular collaborative co-investment initiative, such as a Wisconsin-focused guarantee pool or fund. Often prepared in collaboration with an institution’s internal Impact Investment Committee and/or existing investment advisor.</p>
<p><b>Process &amp; Procedures</b></p> <ul style="list-style-type: none"> <li>› Manager / Financial Intermediary Selection</li> <li>› Staff / Consultant Roles</li> <li>› Transaction Execution</li> <li>› Monitoring &amp; Reporting</li> </ul>	<p><b>Customized support</b> for planning internal operations to support the tasks of impact investing, including through the possible use of services on the shared services platform. Specific tasks include investment sourcing; preliminary due diligence; full due diligence; structuring, negotiating and closing; and monitoring and reporting on financial and social performance.</p>
<p><b>Portfolio Management</b></p> <ul style="list-style-type: none"> <li>› Impact Investment Execution</li> <li>› Impact Investment Integration</li> <li>› Evaluation &amp; Learning</li> <li>› Communications</li> </ul>	<p><b>Customized support</b> for transaction execution and monitoring, with potential for lowered cost and risk on co-investments. Continuous learning and investment pipeline development through webinars, live events and communications. Evaluation &amp; Learning can include rolling up social impact reporting across a regional impact investing initiative.</p>

WI3C members hope this Guide reveals impact investing as both an increasing national trend and a significant Wisconsin opportunity. We seek to share learning, support services and co-investment opportunities with the range of like-minded institutional and individual investors across the state. We hope that the opportunity to do so is of interest to both foundation and other impact investors, whether headquartered in Wisconsin or interested in the state's impact investing opportunities.

The WI3C invites interested investors of all sizes, types and levels of experience with impact investing to visit us on the [web \(www.wi3c.org\)](http://www.wi3c.org) and to join our contact list for updates on Wisconsin impact investing news and events. The Collaborative is partnering with Wisconsin Philanthropy Network and Avivar Capital to advance its work. *For further information, please contact Tony Shields, Wisconsin Philanthropy Network, [tshields@wiphilanthropy.org](mailto:tshields@wiphilanthropy.org), or [info@wi3c.org](mailto:info@wi3c.org).*

### WISCONSIN IMPACT INVESTING COLLABORATIVE: FORGING INVESTOR AND GRANTMAKER PARTNERSHIPS TO BENEFIT WISCONSIN COMMUNITIES

“We are excited to see this Impact Investing guide come to life,” Julie Bauer, executive director of the Alliant Energy Foundation noted. In the past 20 years, the Alliant Energy Foundation has given back more than \$50 million to communities throughout Wisconsin and Iowa through its grant making, scholarship and employee engagement programs. “While Impact Investing currently isn’t a part of our philanthropic toolbox, we’re excited to be a part of this collaborative to learn and explore potential new ways for Alliant Energy to engage and partner with the communities we serve.” Alliant Energy’s charitable giving programs support nonprofits and community partners in four major categories: helping families, education, the environment, and safety initiatives. Bauer added, “We’re excited to learn more about the potential of impact investing and how it could possibly enhance and complement the work we are already a part of.”

## SECTION VII: RESOURCES

The WI3C’s Resource Bank is a living collection of articles and websites with helpful information for all aspects of designing and executing an impact investing or broader SRI-ESG program.<sup>34</sup>

### MEMBERSHIP ORGANIZATIONS

<a href="#"><u>As You Sow</u></a>	A nonprofit harnessing shareholder power to create lasting change that benefits people, planet, and profit.
<a href="#"><u>Confluence Philanthropy</u></a>	A group available to foundations, grantmakers, and individual donors who want to participate in and/or accelerate the field of mission-related investing.
<a href="#"><u>Council on Foundations</u></a>	An association of grantmakers of all sizes that shares tools, resources, and opportunities to increase impact and advocacy in philanthropy.
<a href="#"><u>Global Impact Investing Network</u></a>	A nonprofit organization dedicated to increasing the scale and effectiveness of Impact Investing around the world.
<a href="#"><u>Intentional Endowment Network</u></a>	Non-profit peer-learning network that aims to support the development of intentionally designed endowments.
<a href="#"><u>Interfaith Center on Corporate Responsibility (ICCR)</u></a>	A coalition of over 300 global institutional investors leveraging their equity ownership to press companies on environmental, social and governance issues.
<a href="#"><u>Invest for Better</u></a>	A nonprofit campaign helping women engage in Impact Investing, take control of their capital and mobilize their money.
<a href="#"><u>Mission Investors Exchange</u></a>	The leading network for foundations seeking to grow and deepen their Impact Investing practice.
<a href="#"><u>Social Venture Circle</u></a>	The world’s largest and most active early stage Impact Investing network.
<a href="#"><u>The ImPact</u></a>	A member network inspiring families to make more impact investments more effectively through their collaborative.
<a href="#"><u>Toniic</u></a>	A global action community for impact investors serving individuals, family offices, foundations and funds.
<a href="#"><u>USSIF</u></a>	A collaborative network of investors, advisors, funds and community organizations committed to ESG investment practices.
<a href="#"><u>Wisconsin Philanthropy Network</u></a>	A professional membership association for grantmakers from across the state of Wisconsin.

## GLOSSARY

[Impact Investors Glossary](#)

A comprehensive list of terms used in the impact investing field.

## FIDUCIARY RESPONSIBILITY AND REGULATIONS FOR IMPACT INVESTING

[IRS Program-Related Investments Guide](#)

IRS definition and examples of Program Related Investments.

[MacArthur Foundation: Legal and Exempt Organizations Tax Aspects of Impact Investing](#)

An overview of the laws applying to 501(c)(3) organizations when making or receiving Program Related Investments.

[MacArthur Foundation: Legal and Policy Issues for Impact Investing](#)

A report on the legal and governance frameworks surrounding Mission-Related Investments.

[Mission-Related and Program Related Investments for Private Foundations](#)

An overview of the definitions and legal criteria for PRIs and MRIs .

[Opportunity Zone Eligibility Tool](#)

An interactive tool for exploring designated Opportunity Zones and associated social metrics.

[UNPRI: Writing a Responsible Investment Policy](#)

A tool for asset owners who would like to develop a responsible investment policy.

## INNOVATION IN IMPACT INVESTING

[Omidyar Network: Across the Returns Continuum](#)

Omidyar's framework for investing across the returns continuum, from fully commercial investments to philanthropic grants.

[Omidyar Network: Moving Beyond the Tradeoffs](#)

An evaluation of the implied tradeoffs in Impact Investing between social and financial returns.

[Omidyar Network: Priming the Pump](#)

A report on how Impact Investing can be used to scale entire industry sectors, in addition to individual firms.

[Kresge Foundation: Guarantees a Needed Part of Community Development Infrastructure](#)

Reflections on why guarantees are needed to drive community development investing by Kresge Foundation's Managing Director of the Social Investment Practice.

[Kresge Foundation: Making "Cents" of Guarantees](#)

Reflections on the risk-adjusted returns of guarantees by Kresge Foundation's CIO.

## FINANCIAL PERFORMANCE OF SOCIAL INVESTING

<a href="#"><u>Barclay's Sustainable Investing and Bold Returns Report</u></a>	A study on the link between ESG incorporation and corporate bond performance.
<a href="#"><u>ESG and Financial Performance: Aggregated Evidence</u></a>	A meta study of over 2,000 studies on the business case for ESG investing.
<a href="#"><u>GIIN Annual Impact Investing Survey (2018)</u></a>	A report with a detailed look at industry trends, asset performance and impact measurement.
<a href="#"><u>GIIN's Real Assets Financial Performance Report (2017)</u></a>	An analysis of the financial performance of real assets funds in timber, real estate and infrastructure.
<a href="#"><u>How and Why SRI Performance Differs from Conventional Strategies</u></a>	A study on the differences in SRI and non-SRI domestic equity mutual fund performance.
<a href="#"><u>Morgan Stanley's Sustainable Reality</u></a>	An overview of the financial performance of different sustainable investment strategies.
<a href="#"><u>Morningstar Sustainable Funds U.S. Landscape Report</u></a>	An evaluation of the growth, performance and strategies of ESG Funds.
<a href="#"><u>Nuveen TIAA's Responsible Investing Report</u></a>	A report on the performance of Responsible Investing compared to broad market indices.
<a href="#"><u>Oxford University's From Stockholder to Stakeholder</u></a>	A case for how ESG investing can drive financial outperformance.
<a href="#"><u>Sustainable Investing: Establishing Long-Term Value and Performance</u></a>	A meta-analysis of over 100 academic studies on sustainable investing.
<a href="#"><u>UNEP's Demystifying Responsible Investment Performance</u></a>	An analysis of responsible investment performance and next steps for more in-depth academic and practitioner research on ESG factors.
<a href="#"><u>UNPRI Practices in Private Equity Report</u></a>	An overview of responsible investment (RI) practices in private equity globally.
<a href="#"><u>USSIF Sustainable, Responsible and Impact Investing (2018)</u></a>	A resource providing information on broad trends and financial and social performance of Impact Investing.

## DIVERSITY, EQUITY AND INCLUSION AND IMPACT INVESTING

<a href="#">Mission Investors Exchange Resources: Diversity &amp; Asset Management</a>	A compilation of reports on diversity in the capital markets.
<a href="#">Designing Economic Democracy</a>	A whitepaper about Ujima's community-allocated investment strategy.
<a href="#">Flipping the Power Dynamic</a>	An assessment of how diversity in entrepreneurship impacts investment outcomes.
<a href="#">Knight Foundation's Diversifying Investments Report</a>	A study of ownership diversity and performance in the asset management industry.
<a href="#">Moving Toward Gender Balance in Private Equity and Venture Capital</a>	An examination of the underrepresentation of women in alternative market management.

## SOCIAL METRICS FOR IMPACT INVESTING

<a href="#">Acumen Fund Concepts</a>	An overview of Acumen Fund's approach to quantifying an investment's social impact and comparing it with existing charitable options for that explicit social issue.
<a href="#">B Lab</a>	A nonprofit that issues B Corp Certification, administers the B Impact Management programs and advocates for benefit corporations.
<a href="#">Harvard Law School ESG Reports and Ratings Overview</a>	An overview of ESG reports and ratings for public equities.
<a href="#">Impact Management Project</a>	A forum for building global consensus on how to measure, report, compare and improve impact performance.
<a href="#">Investor's Council Impact Measurement and Management Leadership Initiative</a>	A collaborative initiative to define and put into practice common standards and norms for integrating impact considerations into investment management.
<a href="#">IRIS +</a>	An interactive tool and resource bank for increasing accessibility, clarity and comparability for impact metrics.
<a href="#">PWC's Total Impact Measurement &amp; Management</a>	A framework for value non-financial impacts and identifying opportunities that have a positive impact on society.
<a href="#">SASB Industry Standards Application Guide</a>	A guide for using the Sustainable Industry Classification System (SICS) to group companies based on shared sustainability risks and opportunities.
<a href="#">Toniic Guide to Impact Measurement</a>	A report focusing on why and how impact investors can increase the value of information about impact.

## PLACE-BASED IMPACT INVESTING

<a href="#">Urban Institute: Mapping and Assessing Local Capacities for Place-Based Impact Investing</a>	A brief illustrating the value of mapping to support place-based Impact Investing (PBII) collaboration.
<a href="#">Urban Institute: Place-Based Impact Investing Ecosystems</a>	An overview of approaches and examples to build a PB ecosystem and share practitioner lessons for igniting collaboration.
<a href="#">W.E. UpJohn Institute's Building Share Prosperity Report</a>	An evaluation of various place-based strategies and their success contributing to overall community prosperity.

## SHAREHOLDER ENGAGEMENT

<a href="#">ICCR's 2019 Proxy Resolutions and Voting Guide</a>	A guide to ICCR member-sponsored resolutions for 2019 corporate proxies.
<a href="#">As You Sow's 2019 Proxy Voting Guidelines</a>	A guide for corporate shareholders to align their ESG principals with their voting.

## NEWSLETTERS

<a href="#">Aperio Group</a>	A blog covering market research and regulatory developments around Impact Investing.
<a href="#">Case Foundation</a>	Regular blog posts about the latest trends in social change and key milestones in Impact Investing.
<a href="#">Impact Assets</a>	Issue briefs that explore topics of interest to impact investors, wealth advisors and others active in the field of impact investing.
<a href="#">ImpactAlpha</a>	A podcast and blog about news and developments across the Impact Investing sector.
<a href="#">Mission Throttle</a>	A journal with covering stories, insights, and observations from the field of Impact Investing.
<a href="#">United Nations Principals for Responsible Investment</a>	Guides, case studies, webinars and events to inform investors how to incorporate ESG considerations into investment decisionmaking and ownership.

## ENDNOTES

1. Invest in Wisconsin, <https://www.investinwisconsin.org/impact/impact-measurement>
2. Kauffman Indicators of Entrepreneurship, <https://indicators.kauffman.org/>
3. National Low Income Housing Coalition, Out of Reach 2019, <https://reports.nlihc.org/oor/wisconsin>. Workers earning Wisconsin's minimum wage of \$7.25 per hour would need to work 74 hours to afford a modest 1 bedroom rental at the state-wide fair market rent.
4. United Health Foundation, America's Health Rankings, <https://www.americashealthrankings.org/explore/annual/measure/Overall/state/WI>
5. County Health Rankings & Roadmaps, <https://www.county-healthrankings.org/app/wisconsin/2019/overview>
6. Juneau County Star Times, April 3, 2019. [https://www.wisconsinews.com/juneaucountystartimes/news/local/in-depth-renewable-energy-growing-in-wisconsin/article\\_0962501c-8e1d-5779-a54d-3229672d8b04.html](https://www.wisconsinews.com/juneaucountystartimes/news/local/in-depth-renewable-energy-growing-in-wisconsin/article_0962501c-8e1d-5779-a54d-3229672d8b04.html)
7. Mission Investors Exchange offers a helpful Impact Investors Glossary, <https://missioninvestors.org/glossary-all>.
8. Global Impact Investing Network. [www.thegiin.org](http://www.thegiin.org)
9. Internal Revenue Service. <https://www.irs.gov/charities-non-profits/private-foundations/program-related-investments>.
10. Early in the history of social investing, the acronym "SRI" stood for "Socially Responsible Investing," a practice that then referred to investors screening out holdings of companies with practices they viewed as socially harmful.
11. The continuum of Sustainable and Responsible Impact Investing techniques adapted from USSIF, [www.ussif.org](http://www.ussif.org) and <http://divestinvest.org/philanthropy/signatories/>
12. Serafeim, George. The Brookings Institution, December 8, 2014. <https://www.brookings.edu/research/turning-a-profit-while-doing-good-aligning-sustainability-with-corporate-performance/>
13. Pay for Success investments (PFS, also known as social impact bonds) only repay if and as a social services project achieves pre-determined measurable outcomes, typically resulting in savings to government programs.
14. Grants do not carry an expectation of repayment, and for this reason, the Guide does not view them as investments proper. They are presented in Figure 2 as part of a continuum of capital structures that are often essential in advancing impact. A recoverable grant is a grant that must be repaid if the grantee meets certain success milestones. While this may seem counter-intuitive, repayment of a recoverable grant can be used to qualify the grantee to receive larger amounts of capital in a more conventional investment structure such as a loan or equity investment. Recoverable grants are often used when circumstances outside the grantee's control might prevent repayment. Novel structures include pay for success investments.
15. United Nations Sustainable Development Goals Knowledge Platform. <https://sustainabledevelopment.un.org/sdgs>
16. IRIS+, An Impact Measurement & Management System by the Global Impact Investing Network. <https://iris.thegiin.org/>
17. The Impact Management Project. <https://impactmanagement-project.com/>
18. Global Impact Investing Network. <https://thegiin.org/research/publication/impinv-survey-2019>
19. Ibid., <https://thegiin.org/research/publication/impinv-survey-2019>
20. USSIF. <https://www.ussif.org/currentandpast>
21. Ibid., <https://www.ussif.org/performance>
22. The WI3C thanks GMF donors and partners Judy Keyes, Patty Mueller, Roger Schaus, Bill Krugler, and Blaine Gibson for their reflections on the Foundation's impact investing program.
23. CDFI Fund. <https://www.cdfifund.gov/pages/tools-resources.aspx>. Additional Wisconsin credit unions that are members of Inklusiv, the trade association of community development credit unions, include Marine Credit Union of La Crosse and Prime Financial Credit Union of Cudahy.
24. *ibid.*, [www.cdfifund.gov](http://www.cdfifund.gov)
25. While the Federal government stopped issuing new student loan guarantees in 2010, many such loans are still outstanding and being paid down by their borrowers.
26. Investopedia. [https://www.investopedia.com/terms/a/alternative\\_investment.asp](https://www.investopedia.com/terms/a/alternative_investment.asp)
27. The venture capital sector has been notable for persistent lack of diversity. As reported in 2018 by Richard Kerby, partner at Equal Ventures, 1% of venture capitalists are Latinx, 3% are African American, 18% were women, and 40% attended Harvard or Stanford. <https://www.axios.com/venture-capital-educational-diversity-harvard-stanford-60ba2369-6a0a-416a-a759-f7ee17e3a8ba.html>
28. <https://www.gener8tor.com/statistics>. Minority classifications based on National Minority Supplier Development Council: <http://www.nmsdc.org>
29. Adapted from Tides & Trillium, Total Portfolio Activation. <http://www.trilliuminvest.com/new-white-paper-total-portfolio-activation-a-framework-for-creating-social-and-environmental-impact-across-asset-classes/>
30. Global Impact Investing Network. <https://iris.thegiin.org/>
31. Sources for Figures 12 – 14 include: <https://wibanative.org/about-us/>, <https://www.forwardci.org/2017yearinreview> and <https://www.investinwisconsin.org/impact/case-studies>
32. See Adler & Colvin, Lobbying Overview for Private Foundations, 2018. <https://www.adlercolvin.com/lobbying-overview-for-private-foundations/>
33. *ibid.*, Avivar.
34. The Resource Bank is curated by Avivar Capital.