CREATIVITY

THE GUIDE:
what cultural institutions need to know about investing for values and mission

INVESTMENT

IMPACT

Upstart Co-Lab

Upstart Co-Lab connects impact investing to the creative economy. Since 2016, Upstart has been exploring how the $878 billion creative economy in the U.S. can become more inclusive, equitable and sustainable. By introducing a Creativity Lens, Upstart Co-Lab helps impact investors who understand the power of art, design, culture, heritage, and creativity see the opportunities that align with their values. www.upstartco-lab.org

Rockefeller Philanthropy Advisors

Rockefeller Philanthropy Advisors (RPA) is a nonprofit organization that currently advises on and manages more than $200 million in annual giving by individuals, families, corporations and foundations. Continuing the Rockefeller family's legacy of thoughtful, effective philanthropy, RPA remains at the forefront of philanthropic growth and innovation, with a diverse team of experienced grantmakers with significant depth of knowledge across the spectrum of issue areas. Founded in 2002, RPA has grown into one of the world's largest philanthropic service organizations and has facilitated more than $3 billion in grantmaking to nearly 70 countries. RPA also serves as a fiscal sponsor for more than 80 projects, including Upstart Co-Lab, providing governance, management and operational infrastructure to support their charitable purposes. For more information, please visit www.rockpa.org.

PREFACE

Beginning with the publication of *Philanthropy's New Passing Gear: Mission-Related Investing — A Policy and Implementation Guide for Foundation Trustees* (2008) and *Solutions for Impact Investors: From Strategy to Implementation* (2009), Rockefeller Philanthropy Advisors has helped foundations, family offices and nonprofit organizations learn about the growing trend to invest in a way consistent with their values and purpose.

Our most recent contribution to thought leadership in the field, *Impact Investing Handbook: An Implementation Guide for Practitioners* (2020) builds on a 2017 publication, *Impact Investing: Strategy and Action* and provides a roadmap to help individuals and institutions committed to harnessing their capital for social and environmental impact move from good intention to results.

In two decades, impact investing has evolved from a novel idea to the 21st century definition of good investing. Picking up where philanthropy leaves off, impact investing can fuel the kind of systems change we need to solve deeply persistent challenges and inequities.

2020 was a challenging year for families, communities, and organizations around the world; a year of sorrow and reflection, of activism and action. Emerging from the devastation of COVID and reversing generations of racial injustice in the United States will require all of our institutions to use every tool they have.

We hope this guide will equip museums and other cultural institutions to join their peers in philanthropy, academia, and throughout the social sector. Values-aligned and mission-related investing will unlock the full range of resources in the creative sector to the important work of recovery.

At Rockefeller Philanthropy Advisors, we are optimistic that the next decade will prove the potential of impact capital to unleash the power of art, design, culture, heritage, and creativity to the benefit of people and the planet.

Melissa Berman
President
Rockefeller Philanthropy Advisors

JUNE 30, 2020. *"At Netflix, we know great stories can create empathy and understanding. Stories like Ava DuVernay's* 13TH[1] *and Explained's* Racial Wealth Gap[2] *show how systemic racism in America has sustained a centuries-long financial gap between Black and White families. As part of our commitment to racial equity, we are turning understanding into action. Going forward, Netflix is going to allocate two percent of our cash holdings — initially up to $100 million — into financial institutions and organizations that directly support Black communities in the U.S."*[3]

INTRODUCTION

2020 has been a challenging year for museums and other cultural institutions, and its effects will be felt for some time to come. According to Americans for the Arts, the COVID pandemic has resulted in financial losses to nonprofit arts and cultural organizations of an estimated $14.1 billion as of October. 96% of organizations cancelled events. 90% of organizations had a pandemic-related closing. 29% of organizations laid off or furloughed staff.[4]

This year the cultural sector has also been deeply affected by the United States' reckoning with systemic racism, injustice and violence. Institutions have looked inward and responded with strong statements of solidarity with Black Lives Matter, new programs reflecting diverse perspectives, and leadership changes.

As museums and cultural institutions plan for a COVID recovery and respond to nationwide calls to address racial injustice, there is a shared sentiment that things cannot go back to the way they were. Just as creative expression has been re-invigorated by forced isolation and reshaped by technology, creative institutions cannot waste the opportunity offered by 2020 to find new and meaningful ways to fulfill their purpose.

As expressed by Anthony Tommasini, chief classical music critic of *The New York Times*, writing about the Metropolitan Opera and its decision necessitated by COVID to cancel the 2020-2021 performance season, "Relieved from the demands of daily performances, the Met — like the nation's other arts institutions — must take time to think about its place within larger societal currents, especially the roiling issues of racial injustice and police brutality that have inspired nationwide demonstrations."[5]

Like global media giant Netflix, museums and other cultural institutions are starting to realize the power their balance sheet has to translate understanding into action. With more than $58 billion in their combined endowments, if America's cultural anchor institutions align their money with their values and mission, the result will be meaningful for their communities and the creative sector as a whole.

This Guide

This guide responds to the growing interest among executives and trustees of museums and other cultural institutions to use their investments — in addition to their exhibitions, concerts, productions, and classes — to further their mission and represent their values. Vocal critique of organizations that have accepted donations earned from the sale of opioids, weapons and fossil fuels has compelled all nonprofits to re-evaluate the source of investment returns earned in their endowment. Not only is mission-related and values-aligned investing a powerful tool for enhancing an institution's work but, with today's technology-enabled transparency, compartmentalizing finances from mission is nearly impossible and the potential for reputation risk is real.

This guide begins by describing values-aligned and mission-related investing in the context of the larger field of impact investing, and presents the creative economy as an impact investing priority for arts and culture organizations. Next, the myth that investing for social and environmental impact means sacrificing financial returns is dispelled. The experience of universities, foundations and other nonprofits is shared, along with that of first-mover cultural institutions. Finally, there are suggestions on how to begin an impact investing journey, along with resources and lessons from the field, plus examples of opportunities to invest for impact in the creative economy.

For the purposes of this guide, impact investing is an umbrella term that includes concepts such as "ESG" (investing in companies operating with best Environmental, Social and Governance practices), "SRI" (Socially-Responsible Investing, or Sustainable, Responsible and Impact Investing), and "Sustainable Investing" (investing with a focus on long-term environmental and social sustainability).

WHAT IS IMPACT INVESTING?

Impact investing is defined as investing with the intent to generate positive, measurable social or environmental impact alongside financial return.[6] Paying attention to workers, the community, and the planet helps manage material non-financial risks that affect a company's bottom line and an investor's risk-adjusted return.

In an expression of what matters most to them, individuals and families make impact investing decisions that reflect their values, as well as their financial objectives. Nonprofit institutions can use both their values and their mission to guide an impact investing strategy that meets return on investment goals. It can be helpful to consider values-aligned and mission-related investing separately, though specific investment opportunities often reflect both approaches in tandem.

Values-Aligned Investing

Most organizations have a values statement that guides their corporate culture. Like an organization's other activities, investment choices can be informed by values, such as a commitment to inclusivity, a focus on learning, and a relationship to the local community.[7] Many impact investors find their values expressed by Environmental, Social and Governance (ESG) factors, nonfinancial considerations intended to promote sustainable, fair, and effective practices and to mitigate associated risks.

Environmental criteria often include assessment of a company's carbon emissions, water use, or commitment to energy efficiency. Social criteria include a company's "people practices," such as employee benefits, hiring and retention practices, and community engagement efforts. Governance factors focus on criteria such as executive compensation practices and board diversity.[8]

Strategies for operationalizing values in an investment portfolio include:

Negative Screening — *excluding companies that are not aligned with the institution's values, due to the product/service provided, or deficiencies in the company's ESG practices.*

Negative screening is an investment approach that stretches back more than 250 years. From Quakers, who refused to allow their financial resources to support the slave trade, to religious orders that would not invest in "sin stocks," to the anti-apartheid divestment movement of the 1980s, through fossil fuel divestment today, investors have understood withholding capital to be a powerful force to discourage unwanted behavior and push for change.

Positive Screening — *selecting companies that are aligned with the institution's values as expressed through the product/service provided, or strengths in the company's ESG practices.*

Examples of positive screening include public equity funds aligned with the United Nations Sustainable Development Goals;[9] venture capital funds backing women and Black, Indigenous, and People of Color (BIPOC) entrepreneurs; and investing with community development finance institutions (CDFIs)[10] which are focused on strengthening low income communities. Positive screening aims to reward activities that are aligned with an investor's values with the capital needed to grow.

DIVERSITY, EQUITY AND INCLUSION PART 1: VALUES-ALIGNED INVESTING

Implicit bias and related factors currently constrain capital allocations to BIPOC- and women-led companies. An example of doing well by doing good, investing with diverse fund managers and companies led by diverse founders can yield strong financial results: diverse fund managers are over-represented in top quartile for performance,[11] and companies with diverse leaders are more likely to outperform.[12]

There is a range of ways impact investors can take action in their portfolio consistent with values of diversity, equity and inclusion (DEI):

- *Allocate capital to investment firms owned by BIPOC and women. Currently investment firms owned by white men control 98.7% of all assets under management in the U.S.*[13]
- *Invest with funds specifically focused on investing in BIPOC — and women-owned companies. Currently less than 3% of venture capital is allocated to BIPOC and women company founders.*[14]
- *Avoid companies such as pay-day lenders that perpetuate injustice and harm in BIPOC communities.*
- *Actively invest with groups enabling broader prosperity, such as CDFIs and socially-responsible fintech lenders.*
- *Vote proxies to promote diversity, equity, and inclusion practices within public companies.*

Mission-Related Investing

Mission-related investing targets risk-adjusted, market-rate opportunities that advance a nonprofit's mission and purpose, and generate positive, measurable social or environmental impact. For museums and other cultural institutions, a mission-related investment strategy should focus on opportunities in the creative economy.

The creative economy is a way of thinking and doing that revitalizes manufacturing, services, retailing, and entertainment industries with a focus on art, culture, design, and innovation.[15] The U.S. creative economy is $878 billion or 4.5%[16] of gross domestic product, is responsible for 10 million jobs,[17] and creates an annual $25 billion trade surplus.[18] The creative economy is comprised of businesses engaged in the inputs, production, and distribution of products and services across 145 creative industries[19].

Businesses in the creative economy can drive local economic development and community wealth-building, while reflecting the culture, tradition, and heritage of a place. Many of the businesses that artists, designers, and other creatives start inherently balance financial profitability with concern for the environment,

THE CREATIVE ECONOMY DEFINED FOR IMPACT INVESTORS

ETHICAL FASHION Companies producing clothes, shoes, jewelry and accessories that proactively address industry challenges related to labor, environmental impact, governance, and/or preservation of cultural heritage. (e.g. fashion companies addressing job quality, working conditions and safety; addressing resource conservation or toxin reduction; and facilitating local community engagement or cultural preservation)

SUSTAINABLE FOOD Producers and providers of food and beverage products and experiences that proactively address and raise consumer awareness of resource conservation, preservation of cultural heritage, and/or access to healthy food. (e.g. artisan and sustainable food & beverage producers and brands; restaurants, caterers, and other hospitality companies focused on these issues; any of these companies prioritizing quality jobs)

SOCIAL IMPACT MEDIA Companies that leverage the power of communication, storytelling, and technology to drive positive social outcomes at scale; give a platform to under-represented voices; and/or build a diverse workforce. (e.g. film and television, video games, apps, new and old media that build awareness, skills, or knowledge; create community or give voice to underrepresented and marginalized groups; preserve cultural heritage; offer quality jobs)

OTHER CREATIVE BUSINESSES
Other facility, input, production, and distribution businesses in arts, design, culture, and heritage industries that are run sustainably, provide quality jobs, and have a social impact. (e.g. artisan handicraft businesses; sustainable tourism businesses engaged in cultural preservation and exchange; design-build firms offering quality jobs)

CREATIVE PLACES
Real estate projects that are affordable, target creatives or businesses in the creative economy, and benefit their neighbors. (e.g. mixed-use developments anchored in the arts; affordable housing or workspace for artists and creatives; offices for arts organizations and creative businesses; incubators and accelerators for creative economy businesses; fabrication and light manufacturing space; arts-based senior housing; or cultural venues)

workers, and the community. Companies in creative industries that integrate social and environmental considerations into their activities offer ideal mission-related investment opportunities for museums and other cultural institutions.

In addition to businesses, cultural institutions can also consider investing in real estate: the spaces where creative work happens and creative experiences are shared. Investing in artist studios, cooperative kitchens, galleries and theaters has long been part of the comprehensive community development strategies of CDFIs[20].

Values-Aligned *and* Mission-Related Investing

Values and mission come together in an institution's impact investment strategy, and often in individual investment opportunities.

For example, Souls Grown Deep (SGD) holds the largest and foremost collection of works of African American artists from the Southern United States.

SGD is dedicated to improving the quality of life in the communities that gave rise to the art made by African American artists of the South in the care of its collection. It fosters economic empowerment, racial and social justice, and educational advancement in select regions across the Southeast.

As part of its impact investment strategy, SGD has selected a socially-responsible fintech fund providing access to capital for women and BIPOC entrepreneurs growing small businesses (25% of the businesses financed by this fund are in creative industries), and a socially-themed Exchange-Traded Fund (ETF) aligned with the racial justice values of the NAACP. Under consideration for future investment is a CDFI working in the Southeast region that has invested in co-working space for creative entrepreneurs, revitalized abandoned mill buildings as centers for cultural development, preserved historic buildings and the heritage of downtown areas, and made loans totaling over $67 million to creative economy businesses.

DIVERSITY, EQUITY AND INCLUSION PART 2: VALUES-ALIGNED AND MISSION-RELATED INVESTING

In the U.S., up to 35% of all woman-owned businesses are in the creative economy[21] and approximately 38% of minority-owned businesses are in the creative economy.[22] Upstart Co-Lab's research suggests women entrepreneurs and entrepreneurs of color launch businesses in the creative economy because of lower barriers to entry compared to other sectors, and the out-sized role that originality and merit play in business success.

With only 2.7% of venture capital going to women founders[23] and only 2.4% of venture capital going to Black and Latinx founders,[24] investing in creative economy businesses led by diverse founders presents a compelling option for cultural institutions that value DEI. An approach like this should also succeed financially, given that companies with diverse leadership are likely to outperform,[25] by 30% according to some research.[26]

Please refer to the Appendix for examples of funds and companies in which impact investors can back women and BIPOC entrepreneurs leading creative economy businesses.

DOES IMPACT INVESTING MEAN SACRIFICING FINANCIAL RETURN?

Often the first question asked about impact investing is whether investors sacrifice financial returns when incorporating social and environmental concerns into their investment considerations. The answer is no.

There is a preponderance of evidence demonstrating that impact investment does not inherently sacrifice financial return and can actually outperform conventional investment strategies. In *Sacrifice Nothing*, a 2019 report summarizing a review of 2,200 studies assessing the connection between ESG criteria and investment performance in multiple asset classes, advisory firm Cornerstone Capital concluded that "the results of these studies have consistently confirmed that social screens do not compromise investment performance."[27]

Managing Director Tom Mitchell of Cambridge Associates concurs. "There are scores of meta-studies through the last decade, none of which indicate that investing in a manner that integrates ESG costs you performance. Rather, ESG has been additive to performance, as it enhances risk management. And outperformance is possible with active portfolio management."[28] Other leading financial institutions have confirmed similar findings across asset classes, and impact investors have shared consistent experiences from their own portfolios as detailed below.

By Asset Class

Public Equity: Morgan Stanley's study of the performance of nearly 11,000 sustainable mutual funds from 2004 to 2018 concluded that "there is no financial trade-off in the returns of sustainable funds compared to traditional funds, and they demonstrate lower downside risk."[29] Similarly, Nuveen's study of the performance of responsible investing stock indexes since inception (ranging from 15 to 27 years) compared to the S&P 500 and Russell 3000 found "no systematic differences in the long-term performance," a finding that is "remarkable considering the [responsible investing] indexes included only a portion of the stocks in broad market indexes."[30]

Outperformance has been demonstrated by the oldest impact investing public equity index, the MSCI KLD 400 Social Index. This index includes large-, mid-, and small-cap U.S. companies with outstanding ESG ratings. It has outperformed its benchmark, the MSCI USA IMI, for the period from May 1994 to the present, as well as for the trailing one-, three-, and five-year periods.[31]

While a single fund cannot represent an entire asset class, Generation Investment Management's long-only Global Equity Fund reported at its 10 year anniversary in 2015 a 12.14% annualized return compared to 6.55% for its benchmark, the MSCI World Index.[32] With $25 billion in assets under management, Generation describes its approach as active investment management based on an investment process that fully integrates sustainability analysis into decision-making.[33] In October 2017, the McKnight Foundation reported that its investment since 2014 in Generation's Global Equity Fund was the best-performing equity fund in its portfolio, including non-impact holdings.[34]

Corporate Bonds: Barclays' 2016 study, *Sustainable Investing and Bond Returns*, found that "a positive ESG tilt resulted in a small but steady performance advantage," and found no negative performance correlation with bond issues with high ESG scores.[35] Deutsche Asset & Wealth Management found a "disproportionate positive correlation between ESG and [corporate financial performance] as it relates to non-equity classes such as bonds and real estate."[36] The bond funds included in the previously mentioned Morgan Stanley study found no statistically significant difference between sustainable taxable bond funds and traditional funds.

Private Equity: In a 2015 analysis, the Global Impact Investing Network and Cambridge Associates compared the financial performance of their private equity and venture fund Impact Investing Benchmark with the performance of 705 peers, finding that funds that "pursue social impact objectives have recorded financial returns in line with a comparative universe of funds that only pursue financial returns."[37] Also in 2015, *Great Expectations: Mission Preservation and Financial Performance in Impact Investing*, a University of Pennsylvania Wharton study focused on the tradeoffs private equity funds face between maximizing financial returns and ensuring the preservation of portfolio companies' missions, demonstrated that concessionary returns were not necessary in order to preserve the social or environmental purpose of 53 global private equity impact funds.[38]

By Investor Type

Institutions: The Global Impact Investing Network (GIIN) is a membership network of more than 20,000 asset owners, asset managers and service providers around the world seeking to accelerate the development and adoption of impact investing. In the GIIN's 2020 Annual Impact Investor Survey,[39] over 88% of respondents reported financial performance in line with or exceeding expectations. In addition, respondents indicated that across strategies and asset classes, top quartile funds seeking market-rate returns perform at similar levels to peers in conventional markets.

Universities: A 2020 Intentional Endowments Coalition report[40] on the performance of eleven U.S. college and university endowments utilizing an ESG strategy provided additional confirmation of impact strategies: "for endowment fiduciaries asking whether they can implement mission-aligned strategies without sacrificing financial returns, these examples demonstrate that it is possible to take a thoughtful approach to ESG factors, have a meaningful impact in driving positive change for institutions' stakeholders and communities, and maintain or improve investment performance."[41] The *2017 NACUBO-Commonfund Study of Endowments* similarly found no significant difference in the average short- or long-term returns of universities using SRI policies versus those that did not incorporate SRI policies.[42]

Foundations: Foundations are also reporting impact investing strategies that are enhancing financial performance. After moving its $270 million endowment to 100% mission alignment from 40%,[43] the Heron Foundation reported moving to top quartile financial performance from second quartile when compared with foundations of comparable endowment size. The Rockefeller Brothers Fund (RBF)'s 2020 report *Investing in Our Mission*[44] shared that over its initial five years, RBF's impact investment strategy has exceeded expectations, consistently beating its performance targets and delivering returns 16% higher than its benchmark. A 2019 study, *Divest Invest Philanthropy: Five Years after Launch*,[45] reported that 94% of the 60 philanthropic foundations that had divested from fossil fuels as part of the Divest-Invest pledge had experienced a "positive or neutral" impact on returns.

2020 Performance

The resiliency of sustainability strategies in volatile markets was demonstrated by public equities in 2020. In a year of uncertainty due to COVID, the financial performance of public equity funds that actively manage sustainability and ESG factors was superior relative to the broader market through the third quarter when this report was finalized.

During the first quarter sell-off, sustainable and ESG funds held their own: nearly 60% of the biggest U.S. sustainable and ESG mutual funds and ETFs[46] outperformed the S&P 500, according to the *Wall Street Journal*; [47] 59% of all U.S. ESG-tied ETFs outperformed the S&P 500 Index as reported by *Bloomberg*.[48] These trends continued through the end of the second quarter: 72% of 212 sustainable equity funds available to U.S. investors ranked in the top half of their Morningstar categories, and all of the 26 ESG index funds outperformed their respective conventional index fund counterparts.[49]

Through the end of the third quarter, JPMorgan Chase reported that ESG indices had continued to fare notably better in the market as a whole, with the MSCI World ESG Enhanced returning 6.5% and the MSCI World SRI returning 10.8% against the conventional MSCI World, which returned 5.4%.[50] Morningstar noted that 67% of ESG funds ranked in the top half of their categories through the third quarter.[51]

It is important to note that while fossil fuel avoidance has contributed to this outperformance, a broad range of material corporate sustainability characteristics is contributing as well, by increasing resiliency and reducing volatility and risk. Morningstar found that overall ESG stock selection was a greater contributor to return than either the underweighting in energy or overweighting in technology, which explains these funds' continuing outperformance even as energy stocks led the second quarter recovery.[52]

IMPACT INVESTING: GROWING AND HERE TO STAY

The amount of capital committed to impact investing has grown significantly in recent years, and leading global financial institutions have responded by adding expert impact investing advisory teams and launching new impact funds. In addition to positive performance, fundamental shifts in client demand and an evolving understanding of the role of business in society guarantee that impact investing is not a temporary trend, but a mainstream strategy.

The COVID crisis has only confirmed and accelerated adoption of ESG strategies. *Investor Relations Magazine* observes that a shift from a shareholder-only focus to a focus on all stakeholders is expected to grow as investors seek out healthy businesses that can drive long-term value creation.[53]

Growing Capital Allocations

According to US SIF Foundation's 2020 Report on *U.S. Sustainable and Impact Investing Trends*, published bi-annually, $17.1 trillion, or one-third of assets under professional management in the United States, were invested with impact investing strategies. This is four times the 2012 level, when decades of slow but steady growth began accelerating, and reflects a 42% increase over 2018. $6.2 trillion of this capital belonged to institutional investors, including public funds, insurance companies, educational institutions, labor unions, and foundations, a 10% increase from 2018.[54] Globally, SRI assets under management exceeded $31 trillion at the beginning of 2018, an increase of 34% over 2016.[55]

This trend has accelerated with the COVID crisis. Morningstar reports that in 2020, sustainable fund investment in the U.S. surged at a record pace with estimated net flows of more than $30 billion through September 30, and is on track to double last year's flow, which was already four times the record set in 2018.[56] According to JPMorgan Chase, ESG ETFs had not seen a negative week of year-to-date flows through the second quarter.[57] Goldman Sachs describes the COVID crisis as a "stress test" for ESG strategies which came into the mainstream during an historic bull market.[58]

While some observers thought ESG values would be pushed aside by the COVID economic volatility and uncertainty, these issues have grown even more important as investors pay greater attention to business continuity efforts and how companies are weathering the pandemic.[59] *The Financial Times* reports that nothing about the COVID crisis will dislodge the prevailing trend of ESG: "The link between sustainability and index-beating returns is clear — if anything [COVID] has probably put a period at the end of that sentence."[60]

Demographic Trends Drive Demand

The substantial intergenerational wealth transfer anticipated over the next 25 years will shift at least $30 trillion from the Baby Boomer generation to Generation X and Millennials, and it is estimated that women will inherit 70% of this wealth.[61] The transfer is significant, as women and young people are more likely to prioritize impact investing than the Baby Boomer men who control the majority of the wealth today. While only 25% of Baby Boomers are likely to consider impact investments, 33% of Generation X and 43% of Millennials are more likely to consider impact investments.[62] 90% percent of women want to invest at least a portion of their wealth in a manner that aligns with their values.[63]

Given these trends, a demonstrated expression of values and mission is critical to the future of cultural institutions expecting the engagement of women and next generation donors. Allowing donors to align their giving with their values can be a natural extension of an institution's own impact investing strategy as demonstrated by Tufts University's Sustainability Fund, an ESG-managed, fossil fuel-free fund to which endowment donors can designate their gift.[64]

Financial Firms Responding and Validating

Top firms are responding to client demand for impact investing, further validating it as an investment approach. Impact investing has expanded beyond boutique firms to the largest names in the financial industry: Apollo Global Management, Bain Capital, Bank of America, BlackRock, Blackstone, Goldman Sachs, Morgan Stanley, and UBS all have dedicated impact investing groups. JPMorgan Chase made sustainability a global research theme in 2020 explaining, “sustainable investing aligns with long-term global megatrends.”[65]

The size of impact funds is also growing. In 2020, over half the fund managers included in the ImpactAssets 50 (a list of impact fund managers across geographies, sectors and assets classes) were managing $100 million or more. Eleven funds were over $1 billion, including those from Prudential Financial, LeapFrog Investments, and Turner Impact Capital.[66] Beyond this juried list, the $1 billion-and-up club includes funds from Generation Investment Management, KKR, and UBS which has committed to investing $5 billion aligned with the United Nations Sustainable Development Goals.[67]

A New Standard for Business

Corporations and financial institutions are responding to shifting expectations for the role business and capital play in society. In its *2019 Statement on the Purpose of a Corporation*, the Business Roundtable, an association of CEOs of the largest U.S. companies, made a commitment to *all* stakeholders — including customers, employees, suppliers, communities, and the environment — as well as shareholders, and “urge[d] leading investors to support companies that build long-term value by investing in their employees and communities.”[68] The statement is a profound shift from the shareholder primacy doctrine advanced by business leaders for the past fifty years.

Prominent financial leaders — many of whom serve on the boards of major cultural institutions — are affirming the responsibility of business to consider stakeholders not just shareholders. Since 2018, Larry Fink, CEO of BlackRock, the world’s largest asset manager, has stressed the link of profit to sustainability, long-termism and purpose in his annual letters to CEOs and investors. In his 2020 letters, he affirmed “sustainability should be our new standard for investing.”[69] Fink is a trustee of the Museum of Modern Art.

In 2019, David Rubenstein, founder and co-executive chairman of The Carlyle Group (a multinational private equity, alternative asset management and financial services corporation) stated that in the future, companies will be “judged on their ESG contributions and performance almost as much as on their financial performance. And the companies that perform well financially, but don’t do well on ESG concerns, may not be as highly valued on the market as they would be today.” Rubenstein followed up on this assertion in 2020 with a firm-wide commitment to “investing for impact,” stating “it is precisely the societal goals of the impact investor — diversity and inclusion, environmental sustainability, responsible governance — that increasingly generate the above-market returns sought by the market as a whole.”[70] Rubenstein is a trustee of the John F. Kennedy Center for the Performing Arts and the Lincoln Center for the Performing Arts.

INSTITUTIONS INVESTING FOR IMPACT

“The impact investing question is no longer a question. It’s an imperative. It is no longer a hypothesis. It is a proven model for investing with double and triple bottom-line returns.” This is how Darren Walker, Ford Foundation President, framed a discussion of impact investing for 100 arts and community leaders in October 2020.[71] Educational, philanthropic and other nonprofit institutions are already utilizing impact investing to further their mission and values. Museums and other cultural institutions are beginning to follow suit.

Universities

US SIF's 2020 report indicated that $378 billion of educational institutions' assets were values-aligned, using both negative screening and ESG principles, with the top criteria including climate change or carbon emissions reduction, conflict risk, human rights, sustainable resource use, and equal employment opportunity and diversity. Starting with anti-apartheid student protests to divest from South African interests in the 1980s, student and faculty-driven pressure to align endowments with institution values has been a key driver of universities' values-aligned and mission-related investing.

For example, in April 2020 Harvard University announced its plan to move its endowment to net-zero greenhouse gas emissions by 2050. This commitment came after years of divestment pressure from students, a public call by Harvard alum and noted impact investor Kat Taylor to "adopt ethical investment principles" and "at a minimum, divest from fossil fuels" as she resigned in protest from the Harvard Board of Overseers, and an overwhelming majority vote in support of divestment of the Harvard Faculty of Arts and Sciences in February 2020.[72]

University impact investing activity has expanded significantly in the past five years, with 77 founding members launching the Intentional Endowments Network in 2016 to provide peer learning and support of ESG endowment investment practices. The National Association of College and University Business Officers (NACUBO) has also responded to members' interest with impact investing research and resources.

Foundations

Trustees and staff are driving foundations to align their endowment assets — not just their grant dollars — with charitable mission. US SIF reports that $97 billion of foundations' assets were ESG-managed, with top criteria including tobacco, conflict risk, climate change or carbon emissions reduction, clean technology, and affordable housing.[73] It is worth noting that a number of foundations with impact investing commitments are arts funders, including the Bonfils-Stanton, Doris Duke, Ford, Knight, McKnight, Nathan Cummings, Souls Grown Deep, Surdna, and William Penn Foundations as well as the David Rockefeller, Jessie Ball duPont, and Rockefeller Brothers funds, and a number of community foundations.

Starting in 2014, the Rockefeller Brothers Fund divested from fossil fuels and added impact investments in renewable energy and other environmental innovations, as well as affordable housing and health-related funds. RBF's investments in global equity funds focus on factors including carbon emissions and land use, labor management, health risk, and board diversity. Board member Justin Rockefeller acknowledged the irony of divestment given the fossil fuel origin of the foundation's endowment, but noted that fighting climate change was a key RBF program area: "we realized that our investment decisions can help or hurt our mission, and we had to make sure the two aligned."[74]

The Heron Foundation, an impact investing leader since 1996, achieved 100% portfolio activation for mission in 2016. In describing the decision, president emerita Clara Miller explained that the foundation had a fiduciary duty to serve a public purpose with all of its assets. "Philanthropy that solved problems on the margin after the damage was done wasn't enough to handle the kind of problem we were taking on," to move people and places out of poverty. Heron reorganized its business model accordingly, removing the typical separation between endowment management and grantmaking. "We just took out that division and we asked ourselves instead the question, what is the best use of a Heron dollar?"[75]

The Ford Foundation's commitment in 2017 to aligning $1 billion of its endowment with mission followed decades of pioneering program-related investments (such as low interest rate loans to CDFIs) made from its grant budget. Foundation President Darren Walker explained at the time, "We are making this commitment because we believe [Mission-Related Investments] have the potential to become the next great innovation for advancing social good... We can't neglect the tremendous power of markets, including the capital markets, to contribute — and with today's announcement, we are putting a significant amount of our money where our mission is."[76]

With a mission to end inequality, Ford's initial strategic themes include affordable housing, financial inclusion, diverse managers, and quality job creation. To date, Ford's mission-related investment portfolio has supported the preservation of over 17,000 units of affordable housing, the creation of over 1,100 jobs, and the delivery of inclusive financial products to over 31 million emerging consumers. Over 57% of Ford's portfolio is allocated to diverse investment fund managers. Since private equity funds invest over 10- to 12-year time horizons, financial performance may not be discernible for several more years. However, because a significant portion of the portfolio is in funds that invest in affordable housing opportunities, which generate cash flow, some of the investments have already yielded cash returns.[77]

Nonprofit Organizations

Nonprofit organizations are also aligning their endowment with their mission. Some are even using their strategic expertise and strong donor base to launch impact investment funds to further their charitable purpose.

In 2014, the World Resources Institute (WRI) committed to aligning its $40 million endowment with its environmental sustainability mission, and began a process of learning and implementation. WRI started with values-alignment in their public equity positions. In 2016, they hired an outsourced chief investment officer to advance the strategy. In 2017, WRI made their first mission-related investment in private equity. By 2018, over 70% of the endowment was in ESG-integrated investments, and WRI is pleased with the financial results: "close to our benchmark, but with lower risk."[78]

Also in 2014, The Nature Conservancy (TNC) launched NatureVest, an in-house impact investing team to source and structure investment products. To date, $1.3 billion of committed capital has been raised to support green infrastructure, climate adaptation, and sustainable working landscapes. TNC's conservation work informs its investments, and the investments' progress and impact informs TNC's programmatic strategies.

Aid and development organization Mercy Corps launched its impact investment arm Mercy Corps Ventures in 2015 to scale social enterprises that are solving entrenched development challenges.[79] In 2016, Sesame Workshop launched Sesame Ventures to back entrepreneurs helping kids grow smarter, stronger, and kinder. Besides investment capital, portfolio companies have access to Sesame Workshop's expertise in early childhood development, research, kid-centric design thinking, and whole-child curriculum accumulated over nearly five decades of child-focused advancement.

In 2019, the American Cancer Society's donor-funded, philanthropic venture capital fund BrightEdge made its first investment; the fund invests in for-profit companies developing novel cancer-focused treatments. In 2020, humanitarian aid organization Save the Children launched an impact fund to leverage private capital for investment in education, health and financial technology innovations that serve disadvantaged children and families.[80]

Museums and Cultural Institutions

With more than $58 billion in their combined endowments, U.S. museums and cultural institutions have the potential to become a powerful force within impact investing. While the creative sector is lagging behind peers in higher education, philanthropy and elsewhere in the nonprofit sector, there are first-mover examples of cultural institutions to inspire the field.

Since 2018, the Louvre Museum has allocated 5% of its €250 million Endowment Fund to socially-responsible investments with a focus on artisan and traditional craft businesses, cultural tourism, cultural heritage and education, all themes connected to the mission of the Louvre Museum.[81] For example, the Fund invested in Mirabaud Patrimoine Vivant ("Living Heritage"), a private equity fund focused on European artisan and traditional craft businesses from socially-responsible Mirabaud Asset Management. Investments also include Alpha Diamant II, a private equity fund investing in capital development and donating 80% of returns above 5% to support education; and Alter Equity, a venture fund investing in companies generating environmental and social solutions and donating returns above 5% to French heritage projects; both of which are generating "excellent performance."[82]

Arts Council England, along with philanthropic and community-focused institutional investors, invested in the GBP 7 million Nesta Arts Impact Fund (launched in 2015) and the GBP 23 million Nesta Arts & Culture Impact Fund (launched in 2020). Nesta describes itself as an innovation foundation. The funds invest in growth activities of nonprofit arts institutions and creative economy businesses throughout the U.K., with a focus outside of London. The funds prioritize social impact in the areas of youth and education attainment, citizen and community, and health and well-being. [83]

In the U.S., the Field Museum of Natural History and the American Museum of Natural History pledged in 2016 to divest from fossil fuels in alignment with their program and policy stance on climate change.[84] In 2015, California Institute of the Arts (CalArts) made a commitment to divest from fossil fuels, and reports that the shift generated approximately $700,000 of investment gains for CalArts from 2016 to 2020.[85]

In 2019, the Andy Warhol Foundation for the Visual Arts moved 25% of its $300 million endowment to a socially-responsible strategy. That same year, Souls Grown Deep adopted a 100% for impact investing policy. Building for the Arts, a producer of community arts initiatives, and Creative Capital, a funder of innovative artists, each invested from their endowments in the Local Initiative Support Corporation's NYC Inclusive Creative Economy Fund, the first community development fund for impact investing in the creative economy in the U.S. (developed in partnership with Upstart Co-Lab) in 2018 and 2019, respectively.

More examples of cultural institutions engaging in impact investing are described in the *Lessons from the Field* section of this guide. Mission-related investing opportunities relevant to cultural institutions are included in the Appendix.

HOW TO GET STARTED

Every university, foundation, nonprofit organization and cultural institution mentioned in the prior section began the transition to values-aligned and mission-related investing in the spirit of learning and inquiry. These organizations started by asking questions — often skeptical questions — of experts and peers. Next they studied the facts, and socialized the idea among leadership. The move to values-aligned and mission-related investing was an incremental process, with steps and strategies taken one at a time as understanding and capacity grew.

Shifting to an impact investment strategy involves an articulation of priorities, an investment policy review

Communities and Conferences

Mission Investors Exchange
missioninvestors.org

Giving Compass
givingcompass.org

Social Capital Markets (SOCAP)
socialcapitalmarkets.net

Reading Materials

Impact Investing Handbook: An Implementation Guide for Practitioners
Rockefeller Philanthropy Advisors
rockpa.org

A Short Guide to Impact Investing: A Primer on How Business Can Drive Social Change
The Case Foundation
casefoundation.org

Moving Forward With Sustainable Investing: A Roadmap for Asset Owners
US SIF Foundation
ussif.org

and help from an advisor with expertise in impact investing. However, no prior knowledge is required to launch an exploration, to ask questions, and to begin learning how investing the endowment can amplify mission and values for your museum or cultural institution.

Revisit mission and values: The first step in exploring an impact investing strategy is to review your institution's mission and values. What does your organization care most about? Are there particular activities it specifically wants to support or refrain from supporting? Your mission and values priorities can help focus the assessment efforts of the next step.

Know what you own: The next step is to assess your institution's current investment positions. How do they align with the organization's values and mission? Where do they conflict? This assessment can be conducted by staff or an outside investment advisor reporting to the investment committee.

Assess your capabilities: Does your existing investment advisor offer impact investing options to clients? Do investment committee members or other trustees have experience with impact strategies personally or professionally? Do staff have impact investing experience? Assess existing capacity, and determine where you will need additional expertise.

Learn from peers: The next section, Lessons from the Field, includes experiences from other cultural institutions. Many organizations similar to yours have been through this process and are happy to share their lessons. Communities and conferences are a source of research, webinars, and access to like-minded peers.

Engage the experts: Ultimately, the professional help of an investment advisor that is knowledgeable about impact investing will be needed to develop and implement an impact investment policy, assuming the institution's existing team is not experienced with impact investing. In addition to the global financial firms with dedicated impact investment teams mentioned earlier in this guide, there are boutique impact investment advisors who frequently participate in the communities and at the conferences listed. In the meantime, the reading materials cited have been prepared by leaders in the impact investing sector.

LESSONS FROM THE FIELD

The experiences of the six cultural institutions described below demonstrate the benefits of taking time to socialize new ideas within your organization, the power of incremental progress, and the value of letting your mission be your guide.

Go on a Learning Journey

The **Brooklyn Museum** began considering the relationship of its endowment with its mission in 2014, after conversations arose within the museum's investment committee about its current portfolio and the future potential of a more values-aligned and mission-related investing strategy. Discussions continued periodically. The whole board expressed interest and the museum's investment advisor presented ESG options. Yet some board members remained concerned about financial returns. Momentum began building in 2020, when the investment committee invited Laura Callanan of Upstart Co-Lab to speak on values-aligned and mission-related investing. The board has now committed to a deeper exploration.

Reflecting on Brooklyn Museum's experience, David Berliner, President and COO, stressed the importance of allowing time for the board to be introduced and learn about the possibility of impact investing. "While the idea of impact investing made sense in theory, we knew it would take some time for those historically focused primarily on financial returns to come on side. We had many discussions about the ways in which our investments could better reflect our own organization's values to promote social good, without sacrificing financial return. Especially now, when cultural organizations are facing understandable pressure to shift administrative and financial efforts towards advancing equity and diversity, we felt energized by our discussions to align our own investing strategy with this key mission."

The **California Institute of the Arts** (CalArts) also began its impact investing journey in 2014, when it responded to student and faculty concerns regarding climate change. CalArts made a commitment to reduce investments in fossil fuel stocks, avoid new direct investments in fossil fuel companies, and incorporate ESG factors into its investment policy statement. The following year, CalArts exceeded its fossil fuel divestment target by redeeming $14 million in existing investments and reinvesting in the BlackRock Developed ex-Fossil Fuel Fund. But the Board did not stop there.

Trustees and leadership began a multi-year learning process. A portion of every investment committee meeting was set aside to discuss the purpose and role of the endowment in advancing the institution's mission. "It was a process of introspection," said former CFO Maeesha Merchant. "Of course the endowment must provide financial support in perpetuity. But through this exploration, including looking at potential arts-related investments, we realized that beyond just being a revenue source, the endowment is a strategic asset that can align with and expand upon our mission."

Take the First Step

The mission of the **Andy Warhol Foundation for the Visual Arts** is the advancement of the visual arts, with a focus on supporting the creation, presentation and documentation of contemporary visual art, particularly work that is experimental, under-recognized, or challenging in nature. Since its establishment in 1987 in accordance with artist Andy Warhol's will, the Foundation's innovative grant program has been responsive to the changing needs of artists. The board's exploration of impact investing has been similarly proactive.

The process, driven by the finance committee, began in 2018. While intrigued by mission-related investing, the board was concerned that mission-specific opportunities in the visual arts were still too nascent. So, they focused on values-aligned investing to start. "We found that the values espoused in ESG strategies align with the values of the foundation," said KC Maurer, CFO and Treasurer. Research quickly addressed initial financial performance concerns, and their outsourced chief investment officer, Summit Rock, helped the foundation identify holdings that could most readily be shifted to ESG screens.

In December 2019, the board allocated 25% of their endowment to a values-aligned ESG strategy. The foundation expects that allocation to increase over time, and is continuing to monitor mission-related investing opportunities. "It's not an all or nothing approach," said Maurer. "Understand that this can be incremental. You don't have to jump in — dip your toe in and get used to the water!"

For over 20 years, the **Massachusetts Museum of Contemporary Art** (MASS MoCA) has been helping artists create and show contemporary visual and performing art in North Adams, MA. MASS MoCA has also focused on generating jobs and community economic revitalization. "Creating a stimulating center of creativity and commerce that brings life and economic vibrancy to its hometown" is also an integral part of the museum's mission. MASS MoCA's efforts have contributed to a drop in unemployment from 7 times to 1.4 times the state unemployment rate, an increase in the number of hotel rooms in North Adams to 238 from 17, and the addition of two new hotels in nearby Williamstown.

With its 16-acre historic factory campus in the heart of the city, managing real estate holdings — from hotel rooms to commercial space — has been core to the MASS MoCA strategy. "We realized that our surplus buildings were an asset we could leverage more broadly for our economic redevelopment mission," said Director Joseph Thompson. Now MASS MoCA is taking the next step: engaging its endowment in values-aligned investing. The organization has shifted a portion of its small but growing endowment to an ESG investing strategy, and most new funds raised for its endowment will be placed in ESG-screened accounts.

Invest in Your Mission

Creative Capital Foundation supports innovative and adventurous artists across the country through funding, counsel, gatherings, and career development services. Founded in response to the National Endowment for the Arts' termination of the majority of grants for individual artists in the 1990s, Creative Capital's strategies have been as innovative as its grant recipients. They have implemented venture capital best practices in their approach, understanding the need for cash infusion at pivotal points in the artists' projects and the need for mentorship and supportive networks of relevant experts and peers to help artists cultivate sustainable careers.

In 2019, Creative Capital engaged their endowment for a mission-related investment in the LISC NYC Inclusive Creative Economy Fund, which finances multi-tenant shared workspaces for businesses in creative industries generating quality job opportunities for low- and moderate-income New Yorkers. "This investment is critical for us," said Board Co-Chair Bill Foulkes. "The LISC Fund is solving problems that we hear about from artists every day as we work to support their creative practices and careers. It's a perfect opportunity to use our resources to address the structural economic issues our constituents face, and is consistent with Creative Capital's culture of innovation."

Now Creative Capital is developing an impact investing fund to address the additional capital needs of their awardee artists. "As artists access our project funding and networks of support, the benefit often manifests as business practice alongside artistic expression," said Kerri Schlottman, Director of Institutional Advancement. Many Creative Capital awardees develop investment-friendly commercial projects. Examples include Matthew Moore's Greenbelt Hospitality, which is democratizing farm-to-table dining by bringing together a working farm with restaurants and a public education program, starting at a public park in Phoenix, AZ; Titus Kaphar's NXTHVN business accelerator for professional artists in New Haven, CT; and Jae Rhim Lee's environmentally-friendly Coeio burial suits.

"These emerging enterprises need investment capital, but artists often have trouble accessing capital from traditional investors. Our goal is to create a fund that will be additive, not extractive, centered on the artist entrepreneurs and their impact, and allowing their businesses to thrive," reflected Schlottman.

The **Walters Art Museum** in Baltimore, MD began impact investing efforts in 2015, when its new strategic plan made a commitment to diversity and inclusion as guiding principles. As part of that commitment, the board's investment committee launched an investment manager diversity initiative, placing over 10% of its endowment with diverse-owned managers. "We learned to check our assumptions," said Executive Director Julia Marciari-Alexander. "Some assumed that there wouldn't be diverse-led firms with long enough track records to meet our investment policy criteria, or that Marquette Associates, our current investment consultant, would not be able to assist us with this effort. Neither was true — we found four best-in-class diverse-owned firms that consistently outperformed their benchmarks over 1-, 3-, 5- and 10-year periods, and Marquette was experienced in and eager to assist with this effort. Over the past five years, the performance has been extremely successful."

In 2020, the museum is using the process of replacing a manager to begin integrating ESG criteria, using ESG as a lens to evaluate new managers as well as a tool to evaluate current managers. "Embrace a transition or a crisis," said Marciari-Alexander. "They can create openings for new approaches." In addition, the Walters Museum is exploring opportunities to directly invest in Baltimore's economic health. With a mission to "bring art and people together for enjoyment, discovery and learning," and a vision to "be a transformative force in their region," serving and supporting its community is understood as core to mission. "We are really thinking about the notion that investing in your community has a return. And so defining what you are meaning by return is a key in this discussion. If Baltimore crumbles, we can have a $170M endowment and some of the best art in the world, but who cares? Return is not just the percentage earnings but the mission impact, which means impact for local communities."

CONCLUSION

2020 has been a year of challenge and change in the United States. Traditional ways of working have been called into question by the complex tragedy of the COVID health crisis, a national economic shutdown, and mounting lethal examples of indisputable structural racism. Leaders have encouraged communities to "build back better," and there is a general feeling that recovery cannot mean returning to the daily life or the societal norms of 2019.

Before this year's unprecedented disruption, patrons and artists were questioning whether money earned from opioids, weapons and fossil fuels should be honored as leadership gifts by America's greatest cultural institutions. The next logical question: should the endowments of America's greatest cultural institutions be invested in opioids, weapons, fossil fuels and activities inconsistent with organizational mission and values?

Universities, foundations and other nonprofit organizations have implemented investment strategies consistent with their mission and values for more than a decade. Now is the moment for cultural institutions to join their peers by investing in a way that's worthy of their role as anchor institutions in livable communities, their commitment to social justice, and their stewardship responsibility as caretakers of our treasures across the generations.

As Rick Segal, Trustee of the Whitney Museum of American Art and CEO of ReThink Capital Partners, reflected, "Museums need to move from 'museum as mausoleum' to museum as an integrated part of the community. Values-aligned investing is being a responsible citizen, as well as a strategy that mitigates risk. Not only does this better reflect our mission, it is what the current generation is looking for. It is necessary to stay relevant."[86]

Like Segal, more than 40 percent of museum trustees are affiliated with the finance industry,[87] representing Apollo Global Management, BlackRock, Carlyle Group, Goldman Sachs, JPMorgan Chase, Morgan Stanley, TPG, and other firms which are already implementing impact investing strategies. This suggests that with the help of knowledgeable trustees, cultural organizations will ask and answer the right questions to develop an investment strategy that manages all material financial risks, including those related to the environment, society, good governance and sustainability.[88]

The importance of the right questions was underscored by Tom Mitchell, Managing Director, Cambridge Associates during *Culture and Communities: A Conversation about the Creative Sector, Community Development and Impact Investing* co-hosted by the Federal Reserve Bank of New York and Upstart Co-Lab. When speaking about the environmental, social and governance factors impact investors prioritize, Mitchell explained: "A common question is *'what do I have to give up by integrating ESG?'* I believe a better question is *'what will it cost you to ignore ESG?'*"[89]

Cultural institutions anchor their communities. Embracing that role means investing with a dual focus on the creative economy and community development. These investment opportunities exist and are waiting to be noticed. (See Upstart Co-Lab's 2019 report, *Hiding in Plain Sight: Impact Investing in the Creative Economy*.[90])

As cultural institutions signal demand, impact investment advisors and fund managers will respond with more options. New funds and companies are emerging every day; a few compelling examples are mentioned in the Appendix to this guide.

The creative economy has the capacity to intrigue, engage, educate and activate more mindful consumers so that the benefits of ethical and sustainable supply chains and the full power of media to drive positive change can be realized. Those who care about shaping a creative economy that is inclusive, equitable, and sustainable need only ask the first question and take the first step.

AFTERWORD

Since the Enlightenment, the arts have enjoyed a largely positive reputation. They have provided a window into the soul, a preserve of beauty, a safe space for veiled or unflinching criticism of the status quo, and uncountable other benefits. At times authoritarian impulses have brought down the curtain, through censorship or menacing words. But most of the world's nations consider arts support to be a natural role of government, like health care and myriad other necessities.

The United States is unique in that the arts are only grudgingly supported by the public purse, which has meant that a mix of private philanthropy and market forces have subsidized creativity. The Revenue Act of 1917 introduced individual income tax deductions in exchange for charitable donations. Over the ensuing century, the system flourished, with private patrons writing checks and leaving estate gifts that enabled thousands of arts organizations to operate with varying degrees of success. The downside? The public interest isn't reflexively taken into account, while the predilections and self-interest of patrons may influence artistic decisions. And, of late, some arts patrons' sources of wealth have come under criticism, yielding widespread institutional critiques.

After some 30 years of directing museums I was appointed president of the Souls Grown Deep Community Partnership and Foundation in 2016. And moved to the top of my personal agenda the betterment of the American Black Belt — the wellspring of so much of our nation's creativity despite the depredations of slavery and Jim Crow. Early in my tenure I attended a public conversation featuring Upstart Co-Lab's Laura Callanan and a leading foundation executive. During the Q&A session that followed, Clara Miller, president emerita of the Heron Foundation, noted that the 5% spent annually by the speaker's foundation had resulted in demonstrable benefits — but asked how it was investing the other 95% of their assets.

The question stopped me short. After decades of enduring museum endowments' uncontested investments in tobacco, big pharma, forestry, oil and gas, and other potentially retrograde economic sectors, I felt in a position to convince my new board to direct 100% of our foundation's admittedly modest holdings to impact investing. To eschew the silent 'neutrality' of investment committees with regard to a moral compass, and to promote a new sense of responsibility among fellow nonprofit leaders in the U.S — who cannot rely on the private sector to serve as their moral compass. Neutrality is no longer an option in investing. We have directed our funds to Community Investment Management and to the NACP Impact Shares ETF, out of an abiding belief in the value of supporting small businesses within communities of color, and in the pursuit of racial equity.

The Upstart Member Community is providing our nonprofit with the background and information necessary to make informed decisions, allowing us to align our investment practices with our values. Any cultural organization that seeks to act in concert with its stated goals can do no less than seek that alignment.

Maxwell L. Anderson
President
Souls Grown Deep
Community Partnership & Foundation

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I.D. Aruede, *Whitney Museum of American Art*
Dan Baldwin, *High Museum of Art*
Anne P. Baños, *New Orleans Museum of Art*
David Berliner, *Brooklyn Museum*
Peter Bienstock, *Storm King Art Center*
Thomas Campbell, *Fine Arts Museums of San Francisco*
Caitlin Caspersen, *Walton Personal Philanthropy Group*
Sunil Chaddah, *Whitney Museum of American Art*
Karen Christiansen, *The Nelson-Atkins Museum of Art*
Chris Crothers, *Jessie Ball duPont Fund*
Elizabeth Duggal, *The Guggenheim Museums and Foundation*
David Erickson, *Federal Reserve Bank of New York*
Kaywin Feldman, *National Gallery of Art*
Anders Ferguson, *Veris Wealth Partners*
Philippe Gaboriau, *Louvre Endowment Fund*
Bob Gold, *Massachusetts Museum of Contemporary Art*
Thelma Golden, *Studio Museum in Harlem*
Rick Green, *The Nelson-Atkins Museum of Art*
Lisa Hall, *Apollo Global Management*
Don Hall, Jr., *The Nelson-Atkins Museum of Art*
Cathy Halstead, *Storm King Art Center*
Monroe E. Harris Jr., *Virginia Museum of Fine Arts*
Ed Harsh, *The Kurt Weill Foundation for Music*
Meg Hagyard, *Massachusetts Museum of Contemporary Art*
Stephen Heintz, *Rockefeller Brothers Fund*
Michael Hokenson, *Community Investment Management*
Alexandra Holt, *The Art Institute of Chicago*
Karen Brooks Hopkins, *Brooklyn Academy of Music*
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Jin Kang, *BRIC*
Christine Kelleher, *National Gallery of Art*
Brian Kennedy, *Peabody Essex Museum*
Dorothy Kosinski, *The Phillips Collection*
Andrew Lee, *UBS*
Sara Lee, *Asian Art Museum of San Francisco*
Michael Lent, *Veris Wealth Partners*
Bill Lyons, *The Nelson-Atkins Museum of Art*
Julia Marciari-Alexander, *The Walters Art Museum*
Jamie Martin, *Morgan Stanley*
Jessica Matthews, *J.P. Morgan*
KC Maurer, *The Andy Warhol Foundation for the Visual Arts, Inc.*
William McClure, *National Gallery of Art*
Lynne McCormack, *Local Initiatives Support Corporation*
Maeesha Merchant, *California Institute of the Arts*
Clara Miller, *Heron Foundation*
Rodney M. Miller, *Studio Museum in Harlem*
Tom Mitchell, *Cambridge Associates*
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Cherie Nichols, *The Phillips Collection*
Preston Niblack, *Office of the New York City Comptroller*
Jessica Norwood, *The Runway Project*
Kate O'Neil, *Peabody Essex Museum*

Alex Nygeres, *Virginia Museum of Fine Arts*

Deborah Obalil, *Association of Independent Colleges of Art and Design*

Jim Ottaway, *Storm King Art Center*

Lisa Phillips, *New Museum of Contemporary Art*

Benjamin Prosky, *American Institute of Architects, New York*

Anna Raginskaya, *Blue Rider Group, Morgan Stanley*

Ravi Rajan, *California Institute of Arts*

Michelle Rhodes-Brown, *The Walters Art Museum*

Isabelle Richard, *Mirabaud Asset Management*

Patrick Robinson, *Paskho*

Mark Rosenblum, *Perez Art Museum Miami*

Wendy Rowden, *Buildings for the Arts*

Taryn Sacramone, *Queens Theatre*

Hossein Sadid, *Virginia Museum of Fine Arts*

Jennifer Sage, *Storm King Art Center*

Fran Sanderson, *Nesta*

Kerri Schlottman, *Creative Capital*

Rick Segal, *ReThink Capital Partners*

Robert N. Shapiro, *Peabody Essex Museum*

Julia Shin, *Enterprise Community Partners*

Lauren Sparrow, *Blue Rider Group, Morgan Stanley*

Bea Stern, *Storm King Art Center*

Lisa Stern, *Storm King Art Center*

John Stern, *Storm King Art Center*

Mark J. Stern, *University of Pennsylvania*

Armin Steuernagel, *Purpose Ventures*

Kristina W. Stillman, *The Morgan Library & Museum*

Rand Suffolk, *High Museum of Art*

Susan Taylor, *New Orleans Museum of Art*

Fern Tessler, *Whitney Museum of American Art*

Joseph Thompson, *Massachusetts Museum of Contemporary Art*

Megan Thompson, *Ford Foundation*

Gary Tinterow, *Museum of Fine Arts, Houston*

Tom Tuft, *Whitney Museum of American Art*

Darren Walker, *Ford Foundation*

Adam Weinberg, *Whitney Museum of American Art*

Diane Wheeler-Nicholson, *Upriver Studios*

John C. Williams, *Federal Reserve Bank of New York*

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APPENDIX

Creative Economy Impact Investment Opportunities

COMMUNITY INVESTMENT MANAGEMENT

cim-llc.com
Headquarters: San Francisco, CA
Founded: 2015

Asset Class: Private Debt
Creative Economy Category
Ethical Fashion, Sustainable Food, Social Impact Media, Other Creative Businesses

Community Investment Management (CIM) is an institutional impact investment manager providing strategic debt funding to scale and demonstrate responsible innovation in lending to small businesses and other underserved communities in the United States. CIM invests in the credit products of innovative non-bank lenders, including but not limited to online marketplace lending platforms, that are addressing the financing gap between banks and high cost alternative lenders.

CIM funds 2-3x more women-, BIPOC- and veteran-owned businesses than conventional banks and financial institutions. In aggregate, businesses funded by CIM have generated $8 billion in total revenue; created 10,000 jobs; and maintained 69,000 more jobs. In addition, 24% of CIM's small business lending portfolio is in the creative economy as defined by Upstart Co-Lab.

greenbelt HOSPITALITY

greenbelthospitality.com
Headquarters: Phoenix, AZ
Founded: 2017

Asset Class: Private Equity and Private Debt
Creative Economy Category
Sustainable Food

Greenbelt Hospitality is democratizing farm-to-table dining. The model combines a 2-acre organic garden, educational and community space, a sculptural playground, a marketplace featuring local and artisanal food, a grab-n-go café and a full-service restaurant offering meals at a price point families can afford. This is a unique opportunity for visitors to learn about farming and cooking in tandem, an experience rarely available in urban settings.

Greenbelt Hospitality is launching in two locations: in Los Olivos Park, Phoenix, AZ and 30 minutes east in Gilbert, AZ. At Los Olivos, Greenbelt will occupy a 4.5-acre site in a city park and the structure will be a public-private partnership. In Gilbert, a rapidly urbanizing region, Greenbelt will operate as a social purpose business on 20 acres of private agricultural land which is being conserved for future generations. Co-Founder Matthew Moore is an artist and fourth generation family farmer.

This information has been compiled by Upstart Co-Lab as a service to the field. Such information does not constitute a solicitation or an offer to sell any securities. Upstart Co-Lab is not recommending any specific investment opportunity. Investors may, on their own initiative, pursue such opportunities as listed here. Investors should conduct their own evaluation of any investment opportunity and consult with their own financial advisers before undertaking an investment in any of these opportunities. Upstart Co-Lab will not assist stakeholders in negotiating the terms of any investment.

paskho

paskho.com
Headquarters: New York, NY
Founded: 2017

Asset Class: Private Equity
Creative Economy Category
Ethical Fashion

In 2017, fashion industry veteran Patrick Robinson launched Paskho, a sustainable, socially-driven clothing line and e-commerce platform focused on the $28 billion U.S. travel apparel market. Paskho combined premium fashion design, sustainable fabric technology, and community-led production with the long-term goal to be the go-to platform for sustainable, life-improving products for work and the home. Paskho clothes were manufactured in China and Laos with KTC, a member of the Fair Labor Association committed to fair and safe working conditions per International Labour Organization standards.

Pivoting in response to both COVID-19 and Black Lives Matter's call for solutions to structural racism, in July 2020 Paskho closed its Asian manufacturing operation and launched its new Community-Made line that digitally mobilizes skilled, independent workers from underserved communities in the U.S. to work from home. Tailors, sewers, and other makers recruited in partnership with the Skilled Laborers Brigade (a grassroots industry group focused on COVID-response) can safely work from home and be paid a fair wage. The company recognizes its new, sustainable, and ethical distributed production model can be applied to a range of fashion and design brands and is re-setting its sights.

PURPOSE®

Purpose Evergreen Capital (PEC) GmbH & Co. KGaA

purpose-economy.org/en
Headquarters: Berlin, Germany
Founded: 2017

Asset Class: Private Equity
Creative Economy Category
Ethical Fashion, Sustainable Food,
Social Impact Media,
Other Creative Businesses

The Purpose family of entities drives research, field-building, consulting and investment focused on alternative forms of ownership for mission driven companies. Purpose Evergreen Capital GmbH & Co. KGaA (PEC) is a holding company supplying patient capital to finance companies committed to steward ownership, an economic and legal approach to corporate governance that ensures organizational self-determination and protects a company's mission and independence for the long-term. Steward-owned businesses are governed by those who are directly involved in the operations of the business, not external shareholders.

PEC is focused on four impact objectives: support equitable corporate governance, boost employee economic security, nurture workplace inclusion, and foster community development in the form of job creation. PEC invests in mature, profitable companies aligned with the UN Sustainable Development Goals in sectors including fashion & textiles, organic food & agriculture, and digital platforms. PEC reports that approximately 60% of their current portfolio investments and forward pipeline are in the creative economy as defined by Upstart Co-Lab.

This information has been compiled by Upstart Co-Lab as a service to the field. Such information does not constitute a solicitation or an offer to sell any securities. Upstart Co-Lab is not recommending any specific investment opportunity. Investors may, on their own initiative, pursue such opportunities as listed here. Investors should conduct their own evaluation of any investment opportunity and consult with their own financial advisers before undertaking an investment in any of these opportunities. Upstart Co-Lab will not assist stakeholders in negotiating the terms of any investment.

The Runway Project Friends & Family Fund

therunwayproject.org
Headquarters: Oakland, CA
Founded: 2017

Asset Class: Debt
Creative Economy Category
Ethical Fashion, Sustainable Food, Social Impact Media, Other Creative Businesses

The Runway Project (TRP) is addressing the "friends & family" funding gap for African American entrepreneurs by providing seed funding plus holistic business support. Launched in Oakland, TRP has deployed $620,000 into 28 businesses led by African American entrepreneurs to date. All but one of these investments are in creative economy businesses, including art accessories, artisan juice, fashion, graphic design, and vegan food. TRP opened in Boston in 2020, and hopes to expand to other cities across the US in the future.

The Friends & Family Fund suppports loans to entrepreneurs of color in the Boston area. Loan sizes are $5k-20k. Loans are extended at 4% annual interest, over 3-5 year teams, with an 18-24 month interest-only payment period at the start of the loan period. In addition to capital, TRP provides borrowers with technical assistance to strengthen their business, and personal support for the entrepreneur (e.g. weekly one-on-one support, monthly peer coaching, access to networks and business resources). An estimated 30% of the forward-looking pipeline of businesses under consideration for financing as part of this program in the Boston area are in the creative economy.

upriverstudios.com
Headquarters: Saugerties, NY
Founded: 2018

Asset Class: Private equity
Creative Economy Category
Social Impact Media

Upriver Studios is repurposing a 101,000 square-foot warehouse in Saugerties, NY as a state-of-the-art sound stage. Actress and director Mary Stuart Masterson and her business partner Beth Davenport launched Upriver Studios and its sister organization Stockade Works (a nonprofit training program for film & TV production crew) with the goal of enriching the growing film and TV ecosystem in New York State's Hudson Valley.

Upriver Studios is a women-led, environmentally innovative facility which will "Make Local Work." In its first five years, Upriver expects to directly and indirectly create 2,000 local jobs, many of which offer a pathway to well-paid union positions with benefits and opportunities for advancement. Productions filming at Upriver Studios will draw 20% of their crew from graduates of Stockade Works, which offers training to prepare women, people of color and returning veterans to work on the production crew for film & TV. Upriver's environmental best practices will target 30% fewer carbon emissions as compared to conventional studios. Upriver Studios is structured as a Delaware public benefit LLC.

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ENDNOTES

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