

2013 ANNUAL REPORT



www.impactseven.org

A member of the **OPPORTUNITYFINANCE** NETWORK



NeighborWorks®
CHARTERED MEMBER

OUR MISSION

Impact Seven builds capacity for low-income communities by providing services and development in business, housing, and property management.

OUR VISION

Impact Seven is known as a trusted partner for developing, building, and maintaining quality communities throughout its service area.

2013 IMPACT SUMMARY

Jobs Created or Saved	426
Business Lending Volume	\$13.5 million
Loan Portfolio	\$33.7 million
Businesses Financed	27
Housing Units Under Management	1,291
Housing Units Developed or Rehabbed	99
Commercial Square Footage Developed	5,000





 **BRETT GERBER**
CEO, IMPACT SEVEN

WELCOME FROM THE CEO

The strength of any community, large or small, is multi-faceted. Among those facets, businesses have the support they need to make investments and create jobs. Families can find quality housing at a reasonable price. And neighborhoods convey vitality and offer possibilities.

But the challenges are many-sided as well. Lack of access to capital, unemployment, outmigration, visible decay, unaffordable housing—these and other problems conspire to restrain a community's assets and progress.

To combat these challenges and create the strongest possible communities, Impact Seven believes in a multi-faceted approach. Invest wholeheartedly, in its businesses, its buildings—and most importantly, its people.

- **Business Development:** Workable financing for startups and expansions.
- **Real Estate Development:** Construction and rehabilitation of sustainable, uplifting structures.
- **Property Management** High-quality housing for low income families and persons with special needs.

This past year has marked tremendous growth for Impact Seven, particularly in the Milwaukee area. I am proud to share with you our pursuits and accomplishments for 2013, and invite you to be a part of our positive impact on people and communities going forward.

Sincerely,

Brett Gerber, CEO



 **SANDO JOHNSON
GERTRUDE POURRIER**
SMAG Media



LEFT: A \$16,000 loan from Impact Seven enabled SMAG Media, a Milwaukee-based tech firm, to capitalize on an international business opportunity that provided technology support for the 2014 Malawi tripartite elections.



BUSINESS DEVELOPMENT



Providing workable financing for small business success

In business, every good idea merits an opportunity. Yet many courageous and viable businesses can't obtain the resources to realize them.

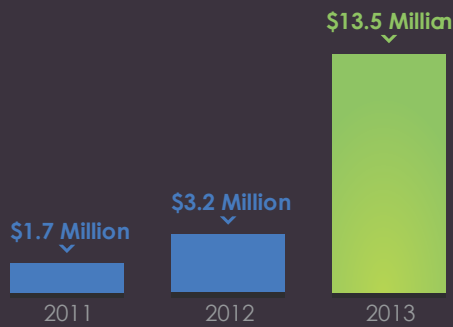
As a certified Community Development Financial Institution (CDFI), Impact Seven provides workable loans, equity investments, and technical assistance to support job-sustaining small-and medium-sized businesses that are unable

to secure traditional financing. With loans ranging from \$6,000 to \$6,000,000, Impact Seven can help self-employed microenterprise owners get started or survive, as well as provide financing for major community employers on the cusp of creating hundreds of jobs.

New Markets Tax Credits (NMTCs) are powerful tools that combine business loans with private equity investments to make high-impact job creation and revitalization projects a reality. In 2002, Impact Seven was Wisconsin's first NMTC awardee, and today services a \$169 million NMTC portfolio for the state.

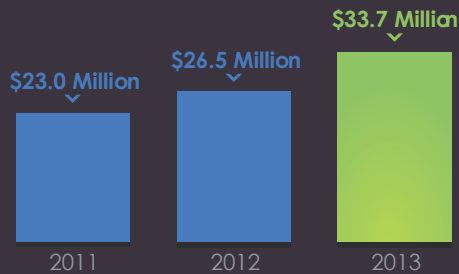
MAKING AN impact

growing business, creating jobs



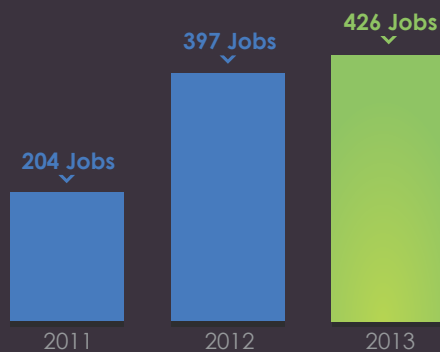
◀ BUSINESS LENDING VOLUME

In 2013, increased internal capacity enabled Impact Seven's business lending to reach an all-time high of \$13.5 million, over four times higher than in 2012.



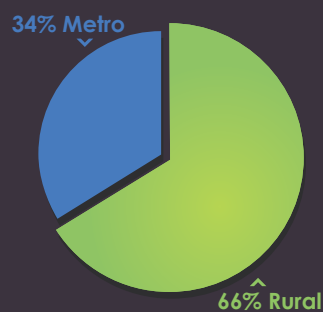
◀ LOAN PORTFOLIO GROWTH

Higher lending activity increased the overall loan portfolio by 27% in 2013, far exceeding Impact Seven's goal of achieving 15% annual growth called for in our 2012-13 strategic plan.



◀ JOBS CREATED OR SAVED

A primary goal of our business development program is job creation and retention. In 2013, Impact Seven's lending activities continued to make a significant, positive impact on the availability of quality employment opportunities.



◀ LENDING REGIONS

The majority of Impact Seven's 2013 lending occurred in rural communities of 20,000 or fewer residents, balanced by a growing portfolio of loans in metro areas and the Milwaukee region.

DEVELOPING BUSINESSES



PINE RIDGE ASSISTED LIVING

Located in Park Falls in northern Wisconsin, **Pine Ridge Assisted Living** offers 36 private assisted living units, including 12 devoted to memory care. The business operates similar facilities in Colby, WI and in Wisconsin Rapids.

Impact Seven marshalled \$2.1 million in financing for the project, including \$200,000 from the U.S. Department of Health and Human Services Office of Community Services. In addition, Flambeau Hospital sold the property to Pine Ridge for a fraction of its value.

The facility provides the highest standard of care and a high quality of life for residents. The project celebrated its grand opening in November 2013, creating 20 well-paying jobs with benefits.

MAGMA FLOORING

Magma Flooring in River Falls, WI engineers products to meet the high environmental and sustainability demands of today's flooring market. Products are made from recycled plastic and natural materials to offer an eco-friendly, fully-functional alternative to PVC, offering the same or greater level of performance. Magma Flooring products are PVC-free, chlorine-free, phthalate-free, plasticizer-free, contain no VOCs, and can be readily recycled—all while remaining price-competitive.

Impact Seven provided \$3.35 million in flexible financing to enable a major investment in highly-specialized equipment that would enable the company to capitalize on its revolutionary product idea. As a direct result, the company anticipates adding 100 quality jobs over the next several years.





 **LINCOLN SCHOOL
APARTMENTS**
Park Falls, WI



LEFT: The common area of Lincoln School Apartments in Park Falls, Wisconsin, where a \$4.7 million project involved adapting a historic school building into 24 units of affordable family housing.



PROPERTY MANAGEMENT



Property management services for affordable housing

Home is a refuge; every person deserves a safe, decent, and affordable place to live. For renters, having a professional property manager that respects their unique needs is essential to dignified living.

As one of the largest providers of affordable housing in Wisconsin, Impact Seven gives the highest priority to comfort, safety, and functionality for residents. On-site caretakers respond immediately to maintenance calls, maintain grounds, remove snow, and ensure units are clean and ready

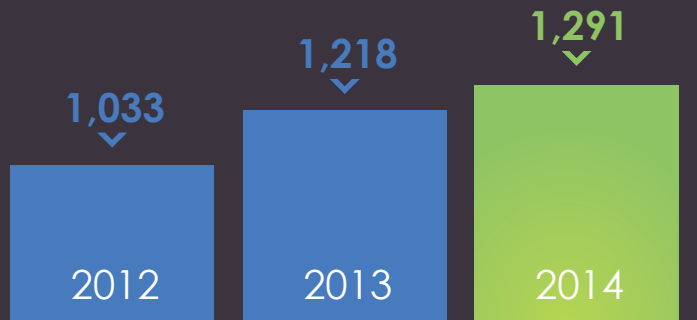
for occupancy. Many buildings include reservable community rooms for activities and relaxing.

Units are located in communities large and small. Many of Impact Seven's projects provide the only quality affordable housing in the area, enabling people to stay in their communities, closer to family and social networks.

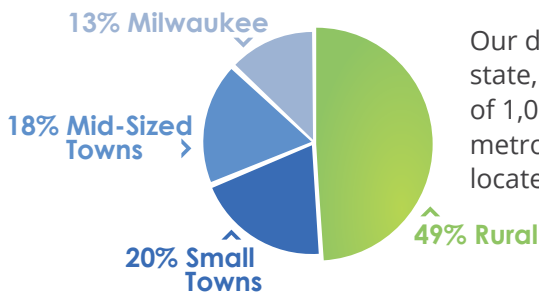
Special-needs housing meets the unique demands of tenants who are elderly or who have a disability. On-staff service coordinators for 28 of these buildings connect residents to service and support that promotes independence and vitality.

UNITS UNDER MANAGEMENT

Impact Seven's portfolio includes a growing number of projects managed for other owners. Combining this growth with Impact Seven's own new developments, the total number of units managed by Impact Seven has increased 25% since 2012.



RURAL AND URBAN PROPERTIES



Our diverse rental portfolio is located across the entire state, and includes projects in small rural communities of 1,000 people or less, as well as mid-sized metropolitan areas and a growing number of projects located in Milwaukee.

ENERGY UPGRADES



Increasing the energy efficiency and useful life of our buildings is a priority. In 2013, Impact Seven continued its roof and heating system replacement program for aging properties.

Traditional asphalt roofs were replaced with metal roofs at two buildings (36 units total). Metal roofs are more energy efficient, shed snow easily, and last the entire life of the building. In addition, aging boilers and water heaters were replaced at two buildings (28 units total) using new, high-efficiency Energy Star® appliances.

PROJECT PROFILES



LINCOLN SCHOOL APARTMENTS

Lincoln School Apartments in Park Falls, Wisconsin features 24 units of affordable one-, two-, and three-bedroom apartments. Each unit includes a washer and dryer, dishwasher, and garbage disposal, and residents have access to additional storage, a fitness room, community room, on-site playground, gazebo, and more.

The total \$4.7 million project was developed by Impact Seven in 2012 with HOME funding, Low-Income Housing Tax Credits, and FHLB-Chicago AHP funds. In 2013, Impact Seven took over management of this beautiful community landmark, which today is fully occupied, serving as both affordable family housing and a prominent, attractive community asset.

TENANT FEEDBACK

In 2013, Impact Seven conducted a survey of tenants at all our buildings. Tenants gave Impact Seven an average overall rating of 4 on a scale of 1 to 5 on questions relating to building maintenance, comfort, and treatment by Impact Seven staff. Here is what some of them had to say:



"I love living here! This place is great! There is nothing I would change."

Jennifer Townsend
National Ave. Lofts
Milwaukee, WI



"I can't tell you how much I love living here! It's wonderful how people are so willing to help me out. It's nice to know if I need help they are right here."

Annette Moore
National Ave. Lofts
Milwaukee, WI

"You and your management team have a top notch facility."

- Tenant at Lincoln School Apartments, Park Falls, WI

"Simply put, I think this place is terrific!"

- Tenant at Alice Henke Villa, Tomahawk, WI

It's close to work, it's affordable, it's a friendly, family oriented environment."


- Tenant at Roland Kannenburg Villa, Abbotsford, WI

"The snow is always removed. The grass is always cut. The place always clean."

- Tenant at Ann Crider Villa, Baldwin, WI



 **ADA DEER MANOR**
Medford, WI



LEFT: In 2013, Impact Seven completed a major rehabilitation of Ada Deer Manor in Medford, Wisconsin by mobilizing HOME funds, Low-Income Housing Tax Credits, and an AHP grant from FHLB-Chicago. The project created 22 units of quality, affordable apartments and townhomes, in addition to eight market-rate units. Following the \$3.3 million rehab, the upgraded buildings now offer garages, a community room, a fitness center, and energy-efficient features and appliances.



REAL ESTATE DEVELOPMENT



*Quality, livable
spaces at an
affordable price*


Creating a space in which people want to live, work or run a business takes more than just four walls and a door. Impact Seven projects complement the community with attractive designs that harmonize with their surroundings, lifting the human spirit by respecting and enhancing a community's cultural and historic fabric. This year's projects have focused on breathing new life into

existing structures. This approach is often more resourceful and cost-efficient than new construction. Multi-story projects typically include street-level office or retail space, and are designed to make urban living attractive and convenient.

Sustainable design features include Energy Star® appliances, lighting, and HVAC systems. Projects also include accessibility features such as zero-step entries and wider doors, making units easier for all tenants, family and friends to enjoy.



 **KING DRIVE
COMMONS IV**
Milwaukee, WI



LEFT: The King Drive Commons IV commercial building is the centerpiece of a 41-unit scattered-site redevelopment that includes a mix of 35 restored single-family homes, duplexes and new townhomes. The commercial building, located at the corner of W. Center St. and N. Martin Luther King Jr. Dr., includes six residential units and 5,000 square feet street-level space with a fitness center, leasing office, and computing and meeting space for residents. The space will eventually include a commercial kitchen incubator operated by the MLK Economic Development Corporation.



MILWAUKEE INITIATIVES



Partnerships for stronger neighborhoods and business expansion

Impact Seven's growing Milwaukee portfolio is marked by partnerships with the City, the State of Wisconsin, neighborhood associations, nonprofit community development agencies, and for-profit developers. In 2014, Impact Seven will continue to make significant contributions to WHEDA's Transform Milwaukee Initiative, a public-private initiative focusing on restoring economic vitality to the core of Wisconsin's largest city.

In 2013, the Milwaukee business-lending team was supporting viable projects from a growing number of

businesses. A dedicated business development officer in the Milwaukee office was added to focus on micro-enterprise development in the region.

Impact Seven's recent Real Estate projects focus on scattered-site redevelopment of abandoned properties and creating opportunities for homeownership. These projects are part of a larger city-wide effort to reverse the tidal wave of foreclosures in the wake of the housing market collapse of the late 2000s.

In 2013, Impact Seven's Milwaukee office moved into the historic Inner City Arts Building located in the heart of the city's Bronzeville Arts and Entertainment District.

REAL ESTATE DEVELOPMENT

➤ KING DRIVE COMMONS IV

In Fall 2013, Impact Seven completed the \$10 million, 41-unit King Drive Commons IV project in partnership with Martin Luther King Economic Development Corporation, WHEDA, FHLB-Chicago, City of Milwaukee, and Wisconsin Redevelopment. KDC IV is the fourth and largest phase of a campus style redevelopment project in the Harambee neighborhood of Milwaukee, Wisconsin.

KDC IV rehabilitated a vacant, historic building into 6 apartments, community room, fitness center, business center, on-site leasing office, and commercial space to be built out as a commercial kitchen. The remaining 35 units are new construction comprising of 4 single family homes, 10 duplexes, and 21 townhomes.



A statue commemorating Dr. Martin Luther King, Jr. was unveiled at project completion. Pictured from left are Brett Gerber, Impact Seven CEO, Welford Sanders, Executive Director of MLKEDC, artist Zenos Frudakis, and Milwaukee Mayor Tom Barrett.



➤ IMPACT SEVEN'S NEW MILWAUKEE OFFICE

In 2013, **Impact Seven's Milwaukee office** moved into the historic **Inner City Arts Building**, with its iconic mural depicting the African-American culture scene in the heart of what is today known as the Bronzeville Arts and Entertainment District. Located near the freeway entrance at N. 7th St. and W. North Ave., the building was constructed as a fire station in 1876 and later became the home of the Inner City Arts Council (ICAC), a cultural organization devoted to theater, dance, music and art.

When ICAC moved out, the building was abandoned and boarded up for a decade until it was sold by the city to a group of private developers. In 2012, the owners transformed all of the former classrooms and rehearsal halls into 4,400 square feet of office space with help from a loan and equity investment from Impact Seven.

BUSINESS DEVELOPMENT



➤ SMAG MEDIA

SMAG Media is a technology management company founded in 2001 with a smart and creative approach for developing software that provides an innovative end-user experience. The company operates out of Milwaukee and London, UK to provide services to small business and nonprofit clients in North America, Europe, and Africa. In 2013, a \$16,000 loan from Impact Seven enabled them to make the critical initial investment needed to land a key technology and training contract for the 2014 Malawi tripartite elections.

➤ TJM INNOVATIONS, LLC

Founded in 2004, **TJM Innovations**, a Women's Business Enterprise, creates innovative, eco-friendly products that make life easier and less stressful for consumers. Among the unique products manufactured and distributed by TJM are GutterStuff®, a foam filter insert for gutters that eliminates the need for cleaning, CobZorb®, a biodegradable absorbent solution for paints and oils, and the Bandshell®, a durable, dual-purpose phone case that easily and remarkably amplifies sound quality anywhere, anytime.

Co-owner Julie McNamara has this to say about Impact Seven's \$375,000 loan: "TJM Innovations could not have met the needs of our customers and our community without Impact Seven's financial support. They have been an integral part of our continued success."



FINANCIAL RESULTS

2013 CONSOLIDATED STATEMENT FINANCIAL POSITION

ASSETS

Current Assets	19,196,420
Property and Real Estate	41,219,537
Loans and Other Investments	42,483,820
Total Assets	\$102,899,777

LIABILITIES AND NET ASSETS

Current Liabilities	2,774,734
Long-term Liabilities	56,117,875
Total Liabilities	\$58,892,609
Unrestricted Net Assets	37,098,576
Temporarily Restricted Net Assets	6,908,592
Total Net Assets	44,007,168
Total Liabilities and Net Assets	\$102,899,777

2013 CONSOLIDATED STATEMENT OF ACTIVITIES

REVENUES

Consulting and Development	1,976,874
Property Management	3,947,097
Interest Income	1,790,879
Grants and Contributions	1,758,055
Other Revenue	1,601,620
Total	\$11,074,525

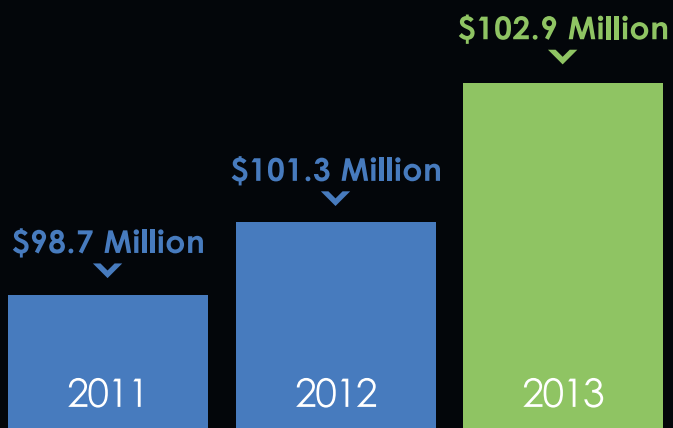
EXPENSES

Administration	2,699,960
Professional Services	254,501
Interest Expense	401,980
Housing Management	4,970,188
Operational	475,876
Other	266,320
Total	\$9,068,825

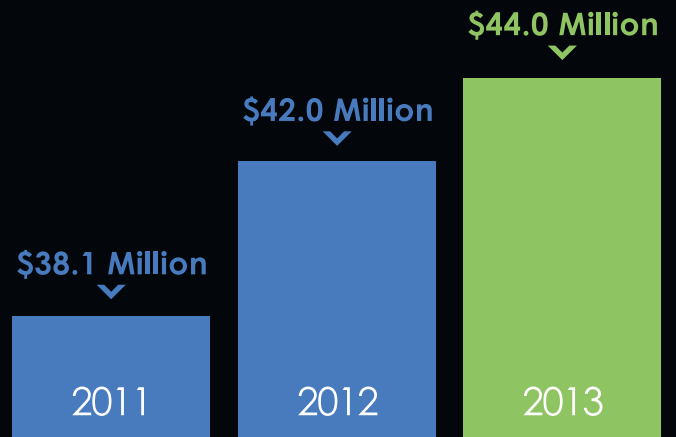
Change in Net Assets	\$2,005,700
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FINANCIAL RESULTS

GROWTH IN TOTAL ASSETS



GROWTH IN NET ASSETS



impacting communities. impacting lives.



Impact Seven, Inc.

147 Lake Almena Drive
Almena, WI 54805

Phone (800) 685-9353
Fax (715) 357-6233

Milwaukee Regional Office

642 W. North Ave
Milwaukee, WI 53212

E-mail impact@impactseven.org
Website www.impactseven.org

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