INNOVATIVE NONPROFIT FINANCING FOR GROWTH AND SUSTAINABILITY

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ABOUT JEWISH VOCATIONAL SERVICE

Creating economic opportunity for individuals from diverse communities

- **Mission**: Empower individuals from diverse communities to find employment and build careers; and partner with employers to hire, develop and retain productive workforces

- Founded in 1938, JVS is one of Greater Boston’s largest workforce and adult education providers

- Community-based provider with 20+ years experience integrating adult basic education and contextualized English for Speakers of Other Languages Instruction (ESOL) with preparation for job readiness or advancement

- 18,000+ individuals served per year

- Programs utilize evidence-based practices and leverage long-term on-the-ground experience to serve a diverse population with evolving needs
Social Finance, Inc. is a 501(c)(3) non-profit organization dedicated to mobilizing capital to drive social progress.

Social Finance is committed to using Pay for Success to tackle complex social challenges, facilitate greater access to services for vulnerable populations, and direct capital to evidence-based social programs — all with the goal of measurably improving the lives of people most in need.

### Our History
- **Founded in January 2011** by David Blood, Sir Ronald Cohen, and Tracy Palandjian
- One of the first dedicated PFS intermediaries in the country

### Our Global Network
- Social Finance UK, was founded in 2007 and launched the world’s first Social Impact Bond in 2010
- We partner with Social Finance UK and Israel in the world’s only Global PFS Network – we have launched 30% of all PFS projects worldwide

### Our Team
- Team of 40 includes experienced professionals from the public, private, and nonprofit sectors
- Three offices in Boston, MA, Austin, TX, and the Bay Area, CA

### Our Work
- Social Finance has deep experience in the design and implementation of Pay for Success projects – from early stage feasibility assessment, to project development and capital formation, to post-launch performance management support
- We have conducted 30+ feasibility studies and are actively developing or managing 15+ PFS projects across a diverse array of issue areas around the country
**WHAT IS IMPACT INVESTING?**

Impact investments prioritize high-impact opportunities, while valuing returns.

- **Traditional Investing**
  - No intentionality to achieve impact
  - Focus on financial return only
  - Screen out harmful products

- **Responsible**
  - No intentionality to achieve impact
  - Focus on financial return only

- **Sustainable**
  - Intentionality to achieve impact
  - Primary focus on financial return
  - Actively seek high-impact opportunity

- **Impact First**
  - Intentionality to achieve impact
  - Secondary focus on financial return
  - Actively seek high-impact opportunity

- **Impact Only**
  - Intentionality to achieve impact
  - Some to no focus on financial return
  - Actively seek high-impact opportunity

Source: Bridges Fund Management
PAY FOR SUCCESS SITS AT THE INTERSECTION OF THREE POWERFUL MOVEMENTS

“What works”

Pay for Success

Impact Investing

Government accountability
WHAT IS PAY FOR SUCCESS?

Pay for Success is about measurably improving the lives of people most in need by driving resources toward more effective programs.
GLOBAL MOMENTUM IN SOCIAL IMPACT BONDS

108 projects across 24 countries as of April 2018

1 project in 2010

- 36 Employment
- 19 Homelessness
- 19 Health
- 13 Child and Family Welfare
- 11 Criminal Justice
- 9 Education
- 1 Environment
20 PAY FOR SUCCESS DEALS HAVE REACHED THE MARKET TO DATE
…and more are on their way

### Criminal Justice
1. New York City
2. Massachusetts
3. New York State
4. Salt Lake City
5. Oklahoma
6. Alameda County
7. Ventura County

### Early Childhood Education
8. Salt Lake City
9. Chicago

### Homelessness & Family Stability
10. Cuyahoga Cty
11. Massachusetts
12. Santa Clara Cty
13. Denver
14. Connecticut
15. Salt Lake Cty
16. LA County

### Health
17. South Carolina
18. Michigan

### Environment / Sustainability
19. Washington, DC

### Workforce Development
20. Massachusetts

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#### Additional projects in development:

<table>
<thead>
<tr>
<th>K-12 education</th>
<th>Veterans’ affairs</th>
<th>Substance use</th>
<th>Foster care</th>
</tr>
</thead>
</table>

Photographs courtesy of Center for Employment Opportunities, Chicago Public Schools, FrontLine Services, and NFP.
PAY FOR SUCCESS MAY BE ABLE TO HELP QUALITY INTERVENTIONS MAKE THE JUMP TO SCALE
THE CHALLENGE IN MASSACHUSETTS
A significant gap in services results in poor employment outcomes

A population in need….

- Approximately 230,000+ known adult English language learners in greater Boston¹
- Limited English creates a fundamental barrier to employment and higher paying jobs:
  - Limited English immigrants earn roughly $24,000 less annually than immigrants who speak English fluently²
  - Over 40% are unemployed compared to 30% of English speaking immigrants³

...with limited options

- Insufficient funds for standard English classes. 16,000 known individuals on service provider waitlists for English classes⁴
- Current services lack workforce component. Scarcity of programs designed to help individuals improve English and transition to either employment or higher earnings

Access to the right services can potentially help limited English speakers increase their earnings and make successful transitions to higher education

### PAY FOR SUCCESS JVS PROGRAM TRACKS

**JVS will provide a tiered service offering**

<table>
<thead>
<tr>
<th>Program Track</th>
<th>Rapid Employment</th>
<th>English for Advancement</th>
<th>Occupational Skills Training</th>
<th>Bridges to College</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target Population</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low English skills;</td>
<td>Low English skills; primarily refugees; seeking to <strong>secure first job immediately</strong></td>
<td>Low to intermediate English skills; primarily immigrants; seeking employment or job advancement</td>
<td>Intermediate English; primarily immigrants; seeking employment in nursing or hospitality sector</td>
<td>Higher level English with at least high school credential seeking to transition into higher education</td>
</tr>
<tr>
<td><strong>Program Description</strong></td>
<td>Employment-focused English language services; skills development; and job search assistance; <strong>Services customized per program track</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Outcome Metric</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings; Program Engagement</td>
<td>Earnings; Program Engagement</td>
<td>Earnings; Program Engagement</td>
<td>Earnings; Program Engagement</td>
<td>Transition into College; Program Engagement</td>
</tr>
<tr>
<td><strong>Anticipated Number of Enrolled Participants</strong></td>
<td>~450</td>
<td>~1,000 – 1,200</td>
<td>~230</td>
<td>~120</td>
</tr>
</tbody>
</table>
**MASSACHUSETTS PATHWAYS TO ECONOMIC ADVANCEMENT**

**40+ IMPACT INVESTORS**

1. **INVEST** $12.43M
2. **STRUCTURE, COORDINATE**
3. **DELIVER SERVICES**
4. **ACHIEVE OUTCOMES**
5. **MEASURE AND VALIDATE**
6. **PAY FOR SUCCESS**
7. **RETURN**

**INTERMEDIARY**

**SOCIAL SERVICE PROVIDER**

**OUTCOMES PAYOR**

**EVALUATOR**

**SOCIAL FINANCE**

**POPULATIONS IN NEED**

- **JVS**

**COMMONWEALTH OF MASSACHUSETTS**

**Notes:**

1) Bank of America Merrill Lynch acted as the placement agent for certain qualified high net-worth and institutional investors.
2) Jobs for the Future (JFF) will be providing technical assistance services to JVS to implement the evaluation of their English for Advancement (EFA) program track.

**Program engagement**
- Increased earnings
- Transition to college

**2,000 adult English-language learners in Greater Boston**
### WHEN IS OUTCOMES-BASED FUNDING USEFUL?

#### Important challenges faced by communities

<table>
<thead>
<tr>
<th>Solutions have:</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined Target Population</td>
<td>Underserved, large-scale population, with adequate demand for intervention</td>
</tr>
<tr>
<td>Codified Program Model</td>
<td>Well-codified program model with fidelity monitoring</td>
</tr>
<tr>
<td>Demonstrated Impact</td>
<td>Evidence base and data demonstrate meaningful impact on key outcomes</td>
</tr>
<tr>
<td>Scalable Service Provider</td>
<td>High-quality provider with capacity to scale</td>
</tr>
<tr>
<td>Positive ROI</td>
<td>Clear link to public-sector benefits (economic and community benefits) within reasonable timeframe</td>
</tr>
<tr>
<td>Payor and Investor Interest</td>
<td>Outcomes attract civic and/or commercial support</td>
</tr>
</tbody>
</table>
**WHEN IS OUTCOMES-BASED FUNDING USEFUL?**

High-performing, scalable service providers exhibit the following qualities

| Data & performance management | • Capacity for data capture, analysis, and quality control  
| • Continuous improvement culture to make rapid adjustments to achieve program outcomes |
| Growth strategy and planning | • Operational capacity to scale, including hiring, training, and people/partner management |
| Risk and financial management | • Financial stability and funder depth to access working capital for planning / ramp-up period  
| • Risk appetite to manage timeline and reputational concerns |
LOOKING AHEAD
HISTORIC FEDERAL LEGISLATION TO SUPPORT PAY FOR SUCCESS

The Social Impact Partnerships to Pay for Results (SIPPRA) was signed into law on Feb. 9, 2018

SIPPRA Overview

• Allocates $100M in federal funding, competitively awarded to state and local government for pay-for-success projects and feasibility studies in workforce, health, foster care, criminal justice, homelessness, mental health, education, and vets (minimum of 50% of $100M must support initiatives that directly benefit children)

• Housed at the Treasury Department, with support from the Federal Interagency Council on Social Impact Partnerships (representatives from most of the domestic cabinet-level agencies) and the Commission on Social Impact Partnerships (representatives appointed by the president and congressional leaders)

• Treasury to launch competition within 12 months, and announce winners within 6 months

How can you position your agency?

• Identify state and local governments to partner with on projects that can leverage SIPPRA funds

• Conduct feasibility studies to confirm viability for Pay for Success
VISION FOR THE FUTURE

Governments will make funding decisions on—and pay for—positive social outcomes.

High-performing nonprofits will have a sustainable funding stream that rewards performance.

Impact investors can invest their capital directly in better results for the most vulnerable citizens.

Mainstream public finance markets will increasingly reward non-financial performance.