



Better Futures Minnesota

Minnesota-based charity that provides holistic care to prevent recidivism for justice-involved men

Investment Memo Presented by The USIT Foundation in Spring 2023

Table of Contents

- [Charity Summary](#)
- [Financial Snapshot](#)
- [Program Summary](#)
- [Risks & Mitigants](#)
- [Program Activities](#)
 - [Overview of Model](#)
 - [Program Breakdown](#)
- [Theory of Change](#)
 - [Issue Overview](#)
 - [Root Cause Analysis: RAND and EMPLOY](#)
 - [Root Cause Analysis: Washington Study](#)
 - [Theory of Change Summary](#)
 - [Inputs](#)
 - [Activities](#)
 - [Outputs](#)
 - [Outcomes](#)
 - [Impacts](#)
- [Charity Financials](#)
- [Impact Calculations](#)
 - [SROI Overview](#)
 - [SROI Calculations](#)
 - [Relative Impact](#)
- [Management Engagement & Future Plans](#)
 - [Management Structure](#)
 - [Engagement](#)
 - [Future Plans & Room for Funding Analysis](#)
- [Appendix](#)

Charity Summary



Charity
Overview

Donation
Thesis

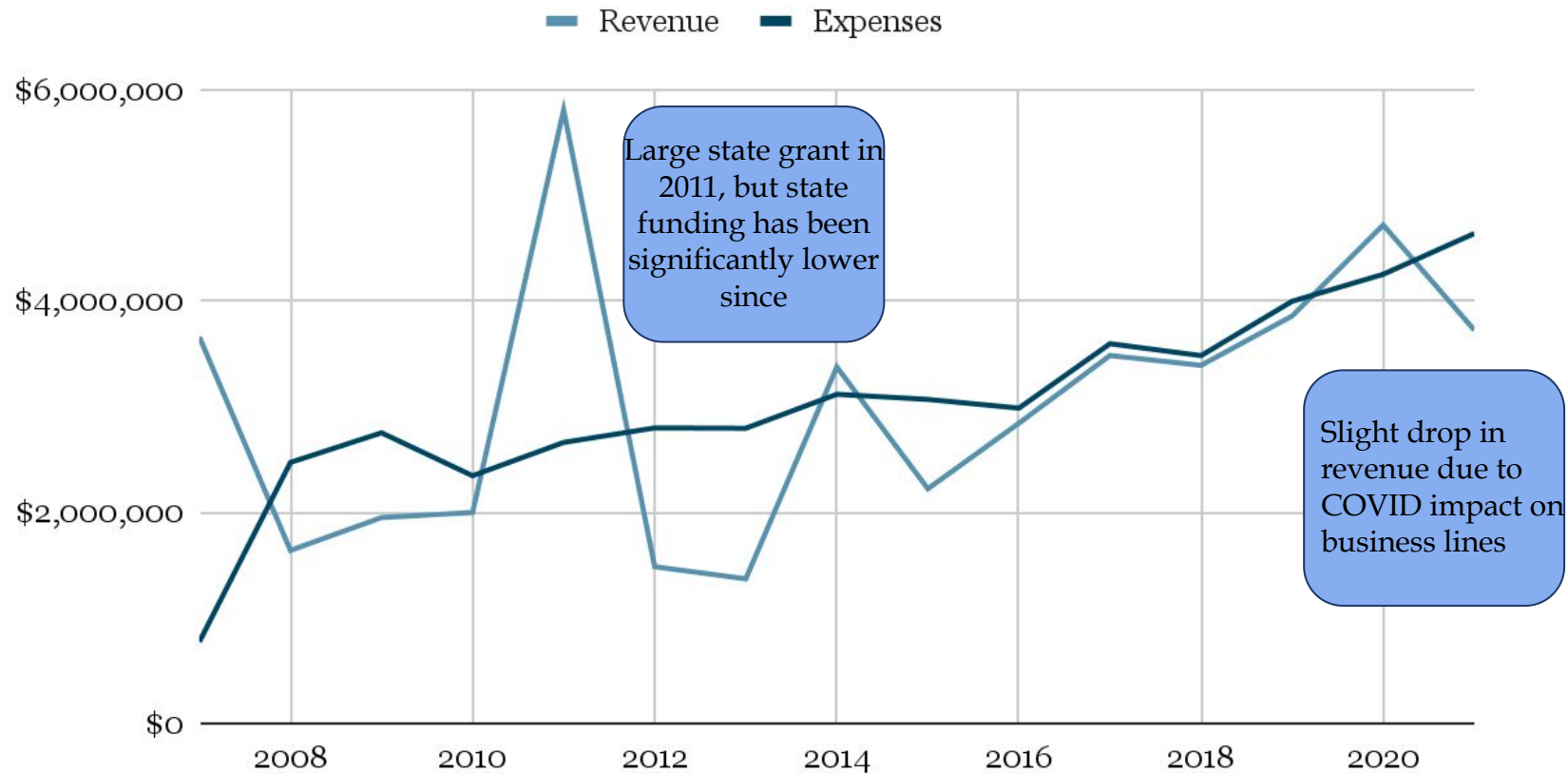
- **Better Futures Minnesota helps to reduce recidivism by providing holistic care to ex-offenders at risk of homelessness through mental and physical healthcare, job training and career coaching, and housing**
- **BFM operates at the intersection of social and environmental justice by employing participants in emission and waste reduction**
 - 41% of BFM’s revenue in 2021 came from revenue they earned from their ReUse Warehouse and other environmental business lines that employ some participants. 31% of 2021 revenue came from grants while 27% came from individual contributions
 - Program funds are primarily used for wages and compensation paid to participants working at BFM’s business lines (31%).¹
- **BFM employs ex-offenders in deconstruction, landfill diversion, and appliance recycling to generate revenue for housing, healthcare, counseling, and job training programs while reducing waste and GHG emissions²**
 - BFM’s combined holistic, trauma-informed approach effectively re-integrates participants into society and sets them up for sustained economic opportunity - it is relatively cost-effective and operates at the unique intersection of socioeconomic and environmental justice
 - Their unique business model consistently generates a substantial program service revenue (\$1,539,547 in 2021 alone)³, which provides a sustainable model for growth not solely reliant on contributions & grants
- **BFM takes a data-driven approach focused on tracking and improving their SROI through EcoTone analytic reports of KPIs**

Financial Snapshot



Inflows + Outflows

Better Futures Minnesota Inflows and Outflows

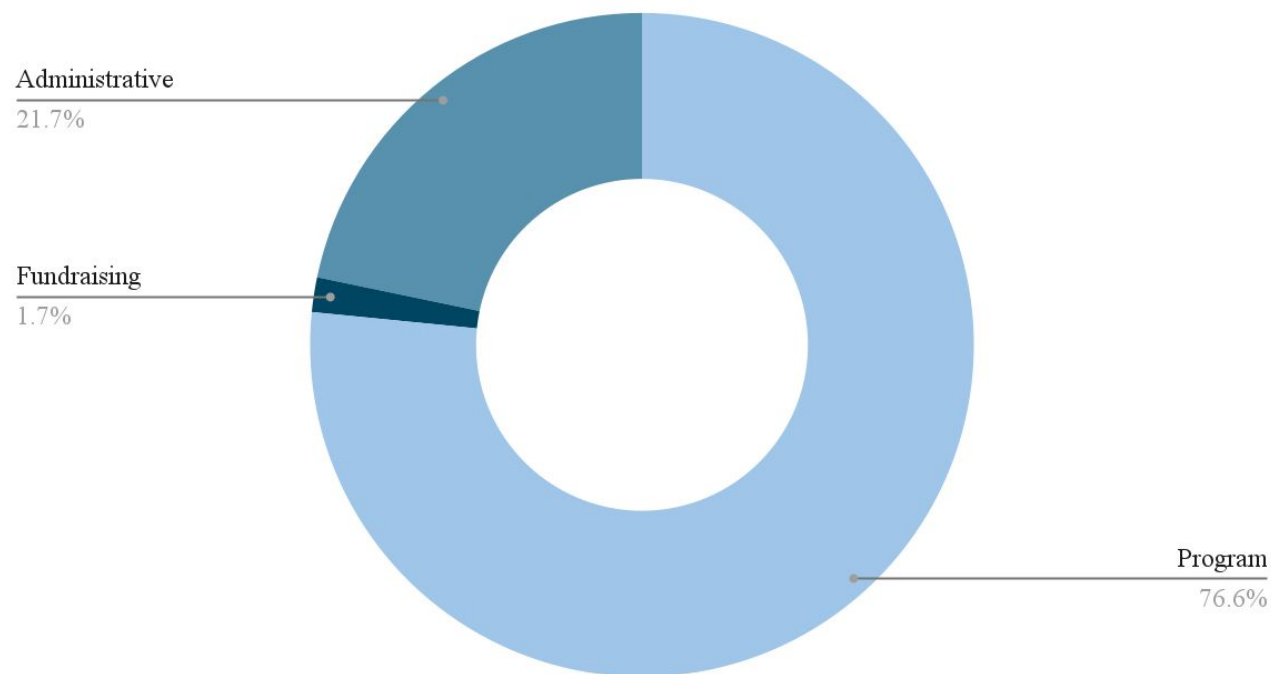


Financial Snapshot

Inflows + Outflows

- Better Futures Minnesota management has maintained a relatively steady balance between revenue and expenses over time
- Typically, expenses have slightly outpaced revenue, leaving room for funding
- Due to its partnerships, BFM has a low fundraising spend rate
- Administrative expenses and overall expenses in 2021 have been higher than usual due to covid and its effect on ReUse Warehouse operations, but we expect it to return to normal in the coming years

2021 Expenses Breakdown



Program Summary



Housing

Better Futures Minnesota (based in Minneapolis, MN) takes a holistic approach to countering recidivism and operates at the intersection of socioeconomic, racial, and environmental justice

- The program is for ex-offenders, predominantly serves African American men, and lasts 2 years
- Participants are referred and carefully evaluated for motivation to change their lives before being accepted
- Each man must seek and hold a job, remain drug and alcohol free, pay child support, and avoid criminal activity
- Housing is provided through the BFM guest house and affordable housing options through local partnerships
- Participants have small rent payments to build rental history - helps them in later housing applications¹

Healthcare

- Participants are immediately connected with mental and physical healthcare through partnerships with Hennepin Health, NorthPoint Health and Wellness, and MnSure
- Partnerships are used to set up affordable, long-term healthcare access by connecting participants with BFM, partnership, and Medicare funding
- 24/7 trauma-informed care available focused on cultural specificity and relationship building
- BFM receives conditional grants based on reduction of emergency room visits due to access to consistent healthcare²

Employment




Workforce Development

- 6-8 months of on-the job training, industry-standard certification in OSHA and forklift operations³
- Employment in the BFM ReUse Warehouse upon completion of training (\$15/hr, full time)

ReUse Warehouse/Services

- All proceeds go towards the integrated care outreach & programming
- The value of items from deconstructed homes counts as a tax-deductible donation to BFM
- BFM teams remove Freon, a chemical found in cooling appliances that deteriorates the ozone layer when released and requires specific certification for safe removal⁴

Risks and Mitigants

Risks	Mitigants	Assessment
<p>BFM does not possess access to quantifiable data due to a lack of resources</p>	<p>BFM is capable of tracking the data of its participants within the program. Unfortunately, they are unable to track some KPIs after graduation due to a lack of resources.¹ However, this does not imply that BFM’s work has no impact. Furthermore, it is worth noting a potential donation could free up additional funds to begin this initiative.</p>	
<p>BFM does not appear to be profitable despite additional revenue streams</p>	<p>While BFM may not be profitable, its own streams of revenue still mean that BFM is capable of funding a portion of its own operations.² This means that BFM does not have to rely as much on consistently obtain funding from outside sources, and this revenue offsets some of their program costs, as opposed to the vast majority of nonprofits.</p>	
<p>BFM likely has confirmation bias in its application process</p>	<p>It is possible for our team to conduct a more accurate comparison of BFM’s impacts by comparing the KPIs of the analyst class to the KPIs of similar demographics after being released from prison. Additionally, it is worth noting that BFM creates this application process in part to select participants that could contribute to revenue generation.³</p>	



Program Activities

Program Breakdown

The BFM Process for Participants

Participants begin by applying or being referred to BFM. Once accepted, they will:

- live in the Better Futures Minnesota house for 4-6 months, immediately giving them stable housing
- be assigned a career and life coach, creating opportunities for economic mobility and employment that are tailored to the particular needs and goals of each individual
- be connected with healthcare professionals for both physical health and mental health counseling ¹

After earning certifications/during the initial process:

- They can find employment at the BFM ReUse warehouse (~85% of applicants ²) or receive assistance searching elsewhere - certifications improve job prospects, and BFM partners with other companies to create a database of over 1,000 jobs that will accept participants
- Use BFM's career coaching services to craft a resume and learn skills to apply for higher paying, stable jobs
- Pay \$25/week to stay in the BFM house in order to build rental history
- Attend BFM programming to build community and reconnect with family and friends
- Continue to receive healthcare through BFM and their partnerships ³

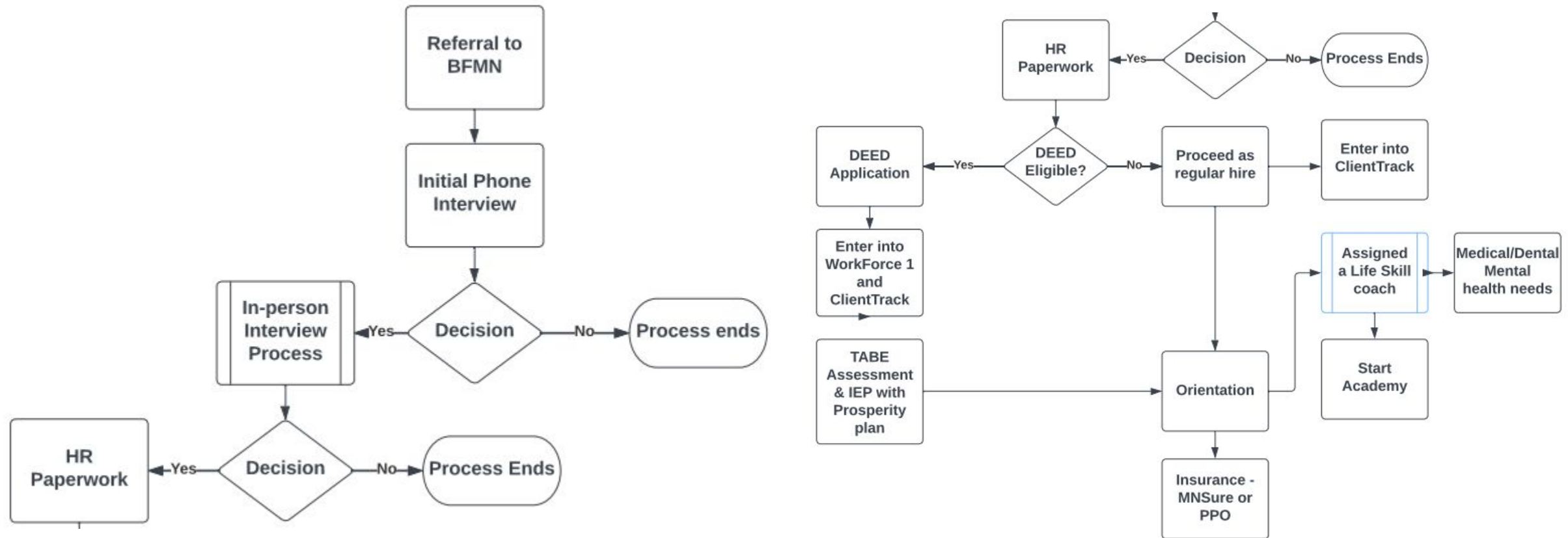
After the initial 4-6 months to the program end (2 years):

- Participants move out of the BFM house to housing subsidized by BFM and its partner organizations
- Participants may continue to work at the ReUse warehouse or receive assistance seeking jobs elsewhere
- Continue to receive physical and mental health treatment and attend community events⁴

Overview of Model

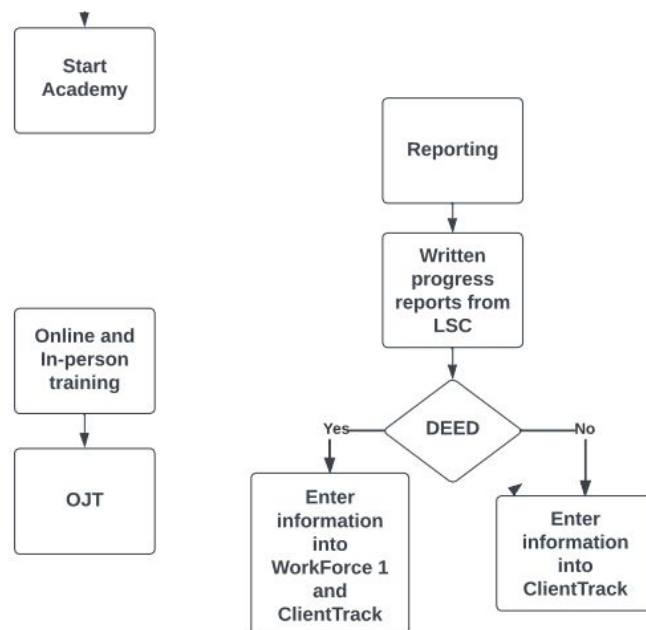


Flowchart Provided by BFM Management



Overview of Model

Flowchart Provided by BFM Management



• REPORTING REQUIREMENTS

These need to be turned over to Data as soon as they are completed.

- All training certificates
- All health related issues such as medical and dental appointments.
- Modules 14 & 15 from Academy
- TABE results
- IEP & Prosperity Plan
- Behavioural Health Analysis

WEEKLY REQUIREMENTS

Phase I

- Hours spent in Academy and in training.
- Hours spent working while still in academy.
- Hours worked on jobsites
- Phase movements
- Case Notes

Phase II

- Hours worked
- Case notes, at least bi-weekly
-

Theory of Change

BFM's Holistic Approach

Recidivism & Incarceration

- Minnesota has one of the most racially discriminatory prison systems - African Americans represent 36.3% of state prison populations but are only 6.43% of the state's population ¹
- The overall 3-year US recidivism rate is 68% and 72.7% for African American men ²
- It costs the government and taxpayers \$41,366 to incarcerate 1 person/yr in Minnesota ³

Housing

- Minnesota recently experienced the worst housing shortage in the nation
- In 2020, only 4.6% of all housing for rent or sale in Twin Cities metroplex was vacant ⁴
- Average price for a home and average annual housing cost are \$300,100 and \$20,000 + respectively - both above national rate and unaffordable for most ex-prisoners

Employment

- According to the Prison Policy Initiative, in 2008, formerly incarcerated people in the US had a 27% unemployment rate - nearly 5 times the then overall US unemployment rate of 5.8%
- The unemployment rate for formerly incarcerated black men was even higher at 35.2%
- Unemployment rate was highest within 2 years of release ⁵

Environment

- The EPA estimates that 40% of solid landfill waste is construction waste ⁶, and demolitions increased national waste stream debris by 567 million tons in 2018 alone ⁷
- Landfills produce leachate and toxins through breakdown, as well as GHG emissions

Root Cause Analysis



RAND & Deploy Anchor Studies



Evaluating the Effectiveness of Correctional Education

A Meta-Analysis of Programs That Provide Education to Incarcerated Adults

Lois M. Davis, Robert Bozick, Jennifer L. Steele, Jessica Saunders, Jeremy N. V. Miles

Sponsored by the Bureau of Justice Assistance



RAND:

- Vocational education and training **improve odds of obtaining employment**
- Correctional education improves inmates' chances of not returning to prison.
- Inmates who participate in correctional education programs had a **43 percent lower odds of recidivating** than those who did not. This translates to a reduction in the risk of recidivating of 13 percentage points.
- Providing correctional education is cost-effective - every dollar invested in saves nearly five in re-incarceration costs over three years ¹

EMPLOY:

- Quasi-experimental design study that evaluated the effectiveness of an employment assistance program implemented in Minnesota prisons
- Examined recidivism and post-release employment outcomes of 2,814 individuals released between 2009 and 2018
- Results of Cox regression analyses showed that completing EMPLOY **reduced the hazard ratio for recidivism by 66%**. Those who completed EMPLOY were more likely to gain post-release employment within two years after release, worked more hours, and had higher wages
- Study does not account for housing & additional services benefits

BFM effectively provides on-the job training and employment assistance while providing further holistic support to participants, so their programming should produce even better outcomes.

Root Cause Analysis

Washington Institute for State & Public Policy

Washington State
Institute for
Public Policy

110 Fifth Avenue SE, Suite 214 • PO Box 40999 • Olympia, WA 98504-0999 • (360) 586-2677 • FAX (360) 586-2793 • www.wsipp.wa.gov

November 2013

Prison, Police, and Programs: Evidence-Based Options that Reduce Crime and Save Money

Since the 1990s, the Washington State legislature has directed the Washington State Institute for Public Policy (WSIPP) to identify "evidence-based" policies that can improve particular outcomes.

The goal of these legislative assignments has been straightforward: to provide Washington policymakers and budget writers with a list of well-researched public policies that can—with a high degree of certainty—lead to better statewide outcomes coupled with a more efficient use of taxpayer dollars.

Crime reduction has been a particular focus of the legislative study directives. Initially, in the mid-1990s, WSIPP was asked to examine policy options that reduce juvenile crime.¹ Subsequent legislation directed WSIPP to study adult correction programs,² certain sentencing policies,³ and prevention strategies designed to stop crime before it happens.⁴ Additionally, in 2011, WSIPP's Board of Directors approved a study, funded by the MacArthur Foundation, to extend the list of crime control options to include policing.

This report provides our updated list of evidence-based policy options that reduce crime. We display prevention, juvenile justice, and adult corrections programs, and we include our initial reviews of prison sentencing and policing. We also provide an apples-to-apples assessment of the benefits and costs of each option from the perspective of Washington citizens and taxpayers.

¹ Aos, S., Barnoski, R., & Lieb, R. (1998). *Watching the bottom line: Cost-effective interventions for reducing crime in Washington*. (Doc. No. 98-01-1201). Olympia: Washington State Institute for Public Policy.

² Aos, S., Phipps, P., Barnoski, R., & Lieb, R. (2001). *The comparative costs and benefits of programs to reduce crime*. (Doc. No. 01-05-1201). Olympia: Washington State Institute for Public Policy.

³ Drake, E., Barnoski, R., & Aos, S. (2009). *Increased earned release from prison: Impacts of a 2003 law on recidivism and crime costs, revised*. (Doc. No. 09-04-1201). Olympia: Washington State Institute for Public Policy.

⁴ Aos, S., Lieb, R., Mayfield, J., Miller, M., & Pennucci, A. (2004). *Benefits and costs of prevention and early intervention programs for youth*. (Doc. No. 04-07-3901). Olympia: Washington State Institute for Public Policy.

Summary

Since the 1990s, the Washington State legislature has directed the Washington State Institute for Public Policy to identify policies with an "evidence-based" track record of improving certain public policy outcomes. Outcomes of interest have included, among others, education, child welfare, crime, and mental health.

This report updates and extends WSIPP's list of well-researched policies that reduce crime. We display our current tabulation of evidence-based prevention, juvenile justice, and adult corrections programs, and we include our initial reviews of prison sentencing and policing.

As with our previous lists, we find that a number of public policies can reduce crime and are likely to have benefits that exceed costs. We also find credible evidence that some policies do not reduce crime and are likely to have costs that exceed benefits. The legislature has previously used this type of information to craft policy and budget bills. This updated list is designed to help with subsequent budgets and policy legislation.

In essence, this report is similar to an investment advisor's "buy-sell" list. It contains current information on policy options that can give taxpayers a good return on their crime fighting dollars (the "buys") as well as those well-researched strategies that apparently cannot reduce crime cost-effectively (the "sells"). The benefit-cost information can be used by policymakers to help write budgets identifying a portfolio of evidence-based options able to reduce crime and save money.

Suggested citation: Aos, S., & Drake, E. (2013). *Prison, police, and programs: Evidence-based options that reduce crime and save money*. (Doc. No. 13-11-1901). Olympia: Washington State Institute for Public Policy.

Key Findings:

- For every \$1 invested into correctional education programs in Washington, **\$18.36 is returned**
- 2001 & 2005 studies; 2012 republication
- *Vocational Training, Basic Education, and placement into Corrections Industries* yield high benefits
- BFM and most correctional programs do all three
- Reductions in victimization, policing, and incarceration costs
- Cost-savings are estimated to have saved \$1.45MIL in Washington since inception¹
- **Washington actually has a 2x lower recidivism rate & spends less on incarceration than Minnesota**

Program	Program Cost (per inmate)	Net Cost Savings (Benefit)	Benefit-Cost Ratio
Residential Drug Treatment (with aftercare)	\$ 3,100	\$ 5,230	\$ 2.69
Prison Vocational Training	\$ 1,960	\$12,017	\$ 7.13
Corrections Industries	\$ 777	\$ 4,394	\$ 6.65
Adult Basic Education	\$ 1,972	\$ 9,176	\$ 5.65

Theory of Change Summary



Inputs	Activities	Outputs	Outcomes	Impacts
<ul style="list-style-type: none"> Experienced 5-person management team with experience and involved in local advocacy Annual 2019 Inflow: \$3,388,484 Annual 2019 Outflow: \$3,480,544 Partners including Minnesota housing authorities, the Robert Wood Johnson Foundation and the Kresge Foundation 	<ul style="list-style-type: none"> Immediate BFM housing with opportunities to build rental history Health and wellness engagement through partnerships with Hennepin Health, NorthPoint Health and Wellness, and MnSure for trauma-informed / culturally specific care Employment in the ReUse warehouse upon completion of 6-8 months of training ReUse warehouse provides deconstruction, appliance recycling, janitorial, property maintenance, and landfill diversion services 	<ul style="list-style-type: none"> Over 1,100 participants served since 2007 Over 3,500 certifications in OSHA and forklift operations awarded One of the only places in the country offering licensed freon removal services 200+ landfill diversion projects completed Over 800 appliances recycled last year 	<ul style="list-style-type: none"> Over 10,000 lbs of Freon recovered per year 700 tons of waste diverted from landfills in 2015 5% recidivism rate 89% of participants employed through the ReUse warehouse 80% permanent housing rate Significantly improved post-program salaries 	<ul style="list-style-type: none"> Reduces recidivism rate among Minnesota men Increase secure access to housing stability amongst the community Builds stronger community and family ties for those who participate in the program Create economic growth for disadvantaged areas by increasing employment

Inputs

2020 and 2021 Expenses Breakdown for ReUse Warehouse and Other Business Lines

The Network for Better Futures Schedule Of Expenses Twelve Months Ended December 31, 2020

Expense	Employment (All)
	Year To Date 12/31/2020 <u>Actual</u>
Staff Wages & Benefits Expense	825,203
Participant Expense	526,190
Contracted Services Expense	46,925
Facilities Expense	202,444
Job Related Expense	179,822
Grant Expense	50,320
Office Expense	20,794
Travel Expense	11,118
In-Kind Expense	5,455
Total Expense	<u>1,868,271</u>

The Network for Better Futures Schedule Of Expenses Twelve Months Ended December 31, 2021

Expense	Employment (All)
	Year To Date 12/31/2021 <u>Actual</u>
Staff Wages & Benefits Expense	705,715
Participant Expense	481,127
Contracted Services Expense	82,087
Facilities Expense	194,017
Job Related Expense	95,558
Office Expense	8,209
Travel Expense	1,196
Bad Debt	51,964
Total Expense	<u>1,619,873</u>

Inputs

Funding Sources

Performance-driven Funding:

- “Pay-for-performance” contracts with county & state agencies, health plans, and service providers that reward BFM if they achieve outcomes, penalizes it for others
 - Hennepin County Human Services pays a **guaranteed \$200k** for services like health insurance and employment applications, and **\$100k based on performance**
 - Performance is measured by whether a participant **signed a lease in his own name, obtained an outside job, enrolled and remained in healthcare coverage, and didn’t recidivate**
- Negotiating a contract to manage healthcare for covered participants with condition of avoiding relying on emergency room care

State Funding:

- In its first 4 years, the state awarded \$3.7M to BFM (**\$1.5M over 2 years** to enroll returning prisoners) but did not renew the funds due to budget constraints
- A **\$1.3M award** in 2009 from the Minnesota Office of Justice funded coaching and employment training
- They also have received some funding from state housing and employment agencies (Hennepin County, private foundations, and other BFM partners)
- **The budget was severely cut back - the state only allocated \$100,000 in 2012, causing ongoing uncertainty**

Activities

Businesses & Employment

Revenue-generating Business Operations

- BFM provides work opportunities through work crews or their recycling and reuse businesses, and revenue helps fund the program
 - Began with the goal of short-term, part-time jobs and then lead to permanent outside jobs
 - Employment was through contracted government or private companies (crews clean ~300 lots) and also accept 1-time private or university assignments
- This resulted in the development of BFM's own businesses, including waste diversion
 - Collect and process building materials, household fixtures, furniture, books, and plastics
 - They sell reusable items and extract metals and other saleable goods
 - Gained a contract with Hennepin County Environmental Services
 - **Effective fund redirection** from landfill services towards environmental and employment benefits
- Their business revenue has consistently become at least 50% of BFM's annual revenue¹ - most valuable funding because these funds are **uncommitted** and can be used for whatever purpose is needed².

Job training and work opportunities.

- Men come into the program with little employment history and lacking habits, attitudes, and career stability
- BFM provides closely supervised experience with behavioral feedback and guidance³

Activities

Housing & Healthcare

Safe and affordable housing:

- Participants spend 4-6 months in the BFM guest house, a 32-bed dormitory with 2 meals/day served
- They pay \$25 weekly for lodging to build rental history, and have responsibility for assigned chores and training sessions focused on life skills and empowerment
- After demonstrating readiness by creating a resume and stable bank account and securing outside employment, the men get to lease their own apartments subsidized by BFM for 20 months
- Partnerships with City of Minneapolis, Community Planning and Economic, Development and Minneapolis Public, Housing Authority can enable future increased housing access¹

Access to primary care and behavioral health services

- Most BFM participants are only used to emergency rooms or urgent care clinics when it comes to medical care - BFM instead gives guidance on and provides safe, regular healthcare access
- Many become enrolled in the ACA and Minnesota's Medicaid program
- BFM's partnerships allow it to coordinate with other programs to address a variety of needs
 - Medica Health Plans - nonprofit health maintenance
 - Hennepin County Medical Center - medical home
 - Mental Health Resources - mental health counseling & care²

Activities

Environmental Impact & Community Building

Environmental Impact

- The EPA estimates that over 40% of solid waste in landfills comes from construction materials
 - Through BFM deconstruction process, 75-85% of a home or building can be recycled or reused
 - Over 200 landfill diversion projects completed
- 700 tons of materials diverted from landfills in 2015 alone
- Over 800 appliances recycled last year
- Over 10,000 lbs of freon recovered/year
 - BFM teams are trained and licensed to safely remove freon, mercury, PCBs, and other refrigerants from old appliances - this licensing is very uncommon and few companies are certified nationwide
 - Freon is classified as an ozone-depleting substance (ODS) - it depletes the ozone layer and acts as a GHG
- Yearly appliance recycling average of 3M lbs/yr recycled¹
- Environmental performance tracked through results-oriented impact measurement within EcoTone analytics²

Community-building

- Regular community dinners and meetings twice per week focused on financial management and life skills, personal development, and discussions sharing what they've learned³
- Life coaches give access to 24/7 support, including access to critical services, maintaining housing, avoiding and coping with substance abuse relapse, and reconnecting with friends and family
- BFM's **comprehensive and holistic support** sets it apart from similar programs⁴

Outputs

Results of program activities

Recidivism

- Less than a **5% overall recidivism rate** as of 2022 ¹

Housing

- BFM provides housing for participants who would otherwise be at risk of homelessness
- Built rental history, life skills, and resume from the time spent in the BFM housing program
- Access to resources and subsidized housing for up to 2 years once participants move out of the BFM house, **80% success in finding permanent housing** directly after BFM's program ^{2,3}

Employment

- **89% of participants are employed through BFM's ReUse Warehouse** and other business lines. BFM recently began an initiative that raised minimum pay to participants to **\$15/hour** ⁴
- Participants earn certifications for specialized skills (i.e., OSHA forklift and freon removal) that lead to significantly improved post-program salaries
- Over 3,500 certifications have been awarded

Environment

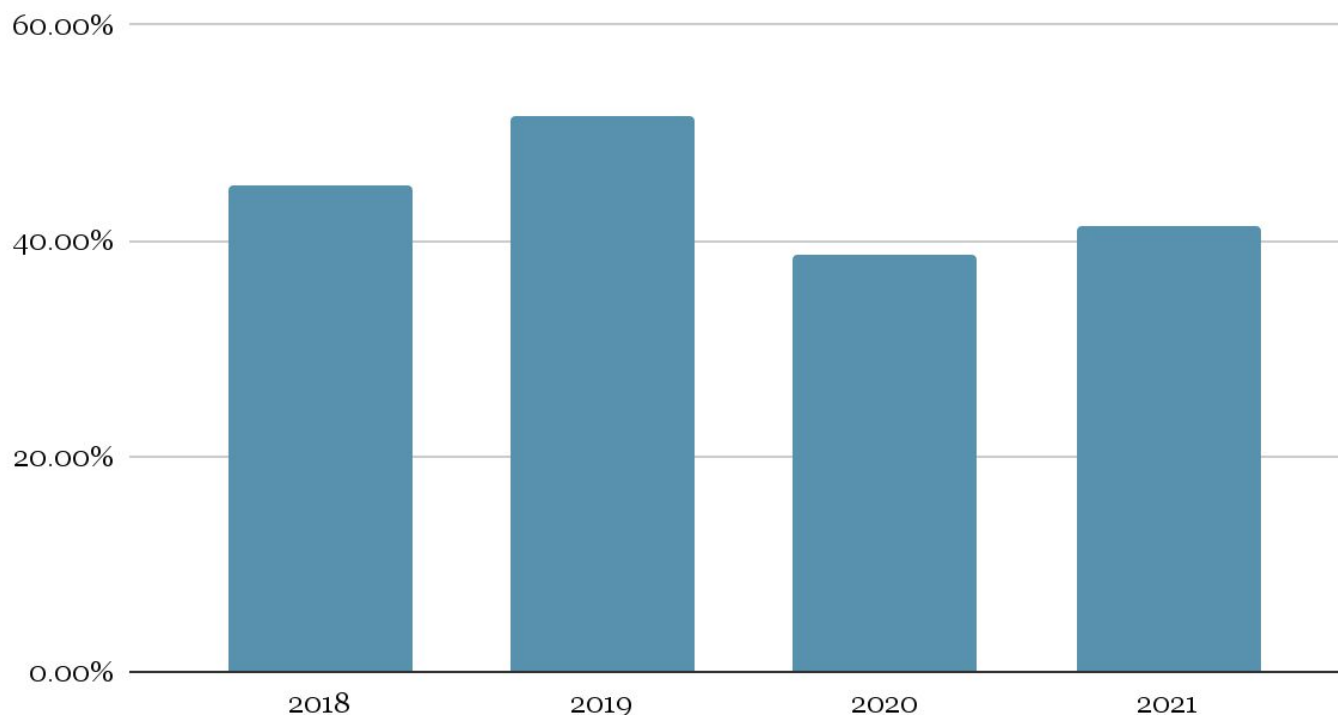
- 10,000 lbs of Freon recovered each year
- 700 tons of waste diverted from landfills yearly ⁵
- Minnesota's combined diversion rate was 42.2% in 2021, while BFM is able to divert 90-95% of deconstructed material ⁶

Outcomes | Key Performance Indicators

Earned Revenue

- Earned revenue is the most valuable source of revenue for BFM because it is more flexible than grants and partner contributions
- Earned revenue was on the rise to close to 50% of total revenue before COVID, but now the business lines are recovering from the pandemic
- In 2022, BFM increased their minimum wage to \$15/hour
- Donations would likely go toward purchasing new equipment such as forklifts or organizing transportation for participants

Earned Revenue as % of Total Revenue



Impacts

Long-term results of BFM's programming

- **Recidivism** reduction for men in Minnesota through BFM's holistic approach that operates at the intersection of health, employment, and housing
- Increased **housing** stability for program participants, who otherwise would have been at risk of homelessness
 - Access to safe and affordable housing for the duration of BFM's program ensures ability to fully participate and benefit from BFM's programming
 - BFM connects graduates to affordable housing and subsidized housing options with an 80% stable long-term housing success rate
 - Reduces homelessness and provides family stability in Minnesota
- Improved **mental and physical health** outcomes for participants
 - BFM's programming helps participants reconnect with families and provide support to families to create a positive intergenerational impact
 - Access to consistent healthcare reduces emergency room visits and risk of undiagnosed chronic illness
- Positive **environmental** impact from BFM's ReUse warehouse and other business lines
 - Reduction in emissions through freon removal and professional deconstruction
 - Waste diverted from landfills through appliance and construction materials recycling ¹



Impact Calculations



Social Return on Investment | Overview

Overview & Unit Economics Analysis

Unit Economics Analysis:

- BFM has a higher, but highly justifiable unit cost of **\$17,388**/year for its participants
 - Traditional housing in Minnesota costs \$20,000/year without healthcare & other services that BFM offers its participants
 - BFM pays its participants full-time wages for work in its business operations
 - Program provides OSHA & forklift certifications as well as housing assistance
 - Given 2 year program length, program unit cost is **\$34,676**
- Unit cost is already **heavily offset** by business operations
 - BFM's unique business model generates a program service revenue of ~52% of annual revenue, which creates a sustainable model for independent long-term growth
 - Given roughly uniform revenue and expense financial history, we assume that revenue is capable of offsetting program expenses as **expenses contribute to revenue generation**
 - Given that 52% revenue is derived from business operations, we arrive at a unit cost of **\$16,644** for the 2-year program (**\$8,322 per participant per year**)¹

Adjusted cost per participant per year: **\$8,322**

Social Return On Investment | Calculations



Yearly SROI

ANNUAL BENEFITS FOR DIFFERENCE MADE

Annual number of people served (Better Futures Minnesota) 100

Annual Benefits

Benefit #1 (Recidivism)	\$	620,490.00
Benefit #2 (Employment, including Additional Wages)	\$	3,570,547.40
Benefit #3 (Homelessness)	\$	2,040,000.00
Benefit #4 (Waste Diversion)	\$	260,100.00
Benefit #5 (Freon Recovery)	\$	2,779,500.00
2022 Total benefits	\$	9,270,637.40
2022 Total expenses	\$	3,994,636.00

Total Annual Return (SROI) 2.32

Social Return On Investment | Calculations

Lifetime SROI and Discounting

SROI

Total Lifetime Benefit	\$	1,585,697
Total Lifetime Benefit	\$	43,563,334
Total Lifetime Benefit	\$	5,968,889
Total Lifetime Benefit	\$	2,913,364
Total Lifetime Benefit	\$	31,132,518

Cumulative Total Lifetime Benefit \$ **85,163,802**

Total Uncertainty factor 1.00

Total Adjusted Return Calculation \$ **85,163,802**

Cumulative Total Lifetime Cost \$ **3,994,636**

SROI	21.32x
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	Discount Rate				
	6.0%	7.0%	8.0%	9.0%	10.0%
0.60	14.6x	13.6x	12.8x	12.0x	11.4x
0.70	17.1x	15.9x	14.9x	14.0x	13.3x
0.80	19.5x	18.2x	17.1x	16.0x	15.2x
0.90	21.9x	20.5x	19.2x	18.1x	17.0x
1.00	24.4x	22.7x	21.3x	20.1x	18.9x

Social Return On Investment | Further Considerations

Waste management is hard to quantify without updated numbers from BFM's Landfill Diversion program

- Limited assigned \$ value information available for reduction of Freon
- Global warming potential statistic is available for R-12 but not for R-12a
- Difficult to calculate economic value of Freon besides CO2 reduction

Changes made to SROI calculations since Mid-Level presentation

- Shifted the demographic of comparison for recidivism impacts to account for selection bias
- Shifted dollar value of carbon to standardize calculations with WasteCap

Therefore, the SROI of this charity is:

- Mainly focused on human-oriented outcomes rather than environmental impact metrics
- Lowballed because it does not take into account other environmental impacts resulting from freon and waste diversion & lacks historical recidivism data from charities (e.g. sobriety rates post-program)

Relative Impact | Comparable Charities

Charity Name	Description	Size (# Served, Inflows/Outflows)	Published Impact Metrics	Why was this chosen as a comp?
Baker Industries ¹	<ul style="list-style-type: none"> Provides essential work opportunities and training Receive hourly wage and get involved with workshops / support groups 	<ul style="list-style-type: none"> 2020 Revenue: 1,867,379 2020 Expense: 1,806,064 2020 Program Expense: 1,511,163 2020 Fundraising Expense: 157,331 	<ul style="list-style-type: none"> 147 total participants served in 2020 22 placements with local businesses 50 enrolled in job readiness program 	<ul style="list-style-type: none"> Similar program model, but doesn't focus on environmental impact Also available to adults challenged by intellectual / physical disability - difficult to compare to recidivism charities
Anti-Recidivism Coalition ²	<ul style="list-style-type: none"> Provides housing that serves 58 residents max Pre-Apprenticeship Readiness Program and paid livable wages 	<ul style="list-style-type: none"> 2020 Revenue: 8,458,666 2020 Expense: 6,690,038 2020 Program Expense: 5,715,639 	<ul style="list-style-type: none"> Graduated 84 individuals from Pre-Apprenticeship program 1,432 therapy sessions 	<ul style="list-style-type: none"> Similar employment / housing programs Revenue / expenses are too large for adequate additionality
Getting Out Staying Out ³	<ul style="list-style-type: none"> Participate in GOSOWorks job readiness workshops Can pursue certifications in construction, security, computers, etc. 	<ul style="list-style-type: none"> 2021 Revenue: 5,906,426 2021 Expense: 5,294,395 2021 Program Expense: 53,683,871 	<ul style="list-style-type: none"> 14% recidivism rate 75% of participants in apprenticeship program attain employment 220 new job placements annually 	<ul style="list-style-type: none"> Similar employment and mental health program but lacks housing support High recidivism rate as compared to Better Futures Minnesota



Relative Impact | Comparable Charities

BFM vs. Past PIT Donations

Charity Name	3-Year Recidivism Rate	Yearly Cost per Participant	Calculated SROI	Notes
Better Futures Minnesota	9%	\$8,322	21.32x	While BFM may not currently outperform the portfolio, we believe increases in earned revenue will continue to functionally decrease cost per participant and increase SROI. SROI is also likely underestimated due to lack of historical data (i.e., sobriety rate).
Rehabilitation Enables Dreams (RED)	5%	\$6,284	25.3x	BFM provides additional housing and environmental services, justifying a higher unit cost
Prison Entrepreneurship Program (PEP)	7%	\$2,817	80.8x	BFM's holistic model provides more services to participants, justifying a higher per-person cost. Only 7.5% of PEP's revenue comes from program services.
Prison Scholar Fund (PSF)	~4%	\$34,576	50.39x	While PSF has higher KPIs for its outcomes, it has a much higher cost per participant due to less earned revenue.

Management Engagement & Further Partnership

Management Structure



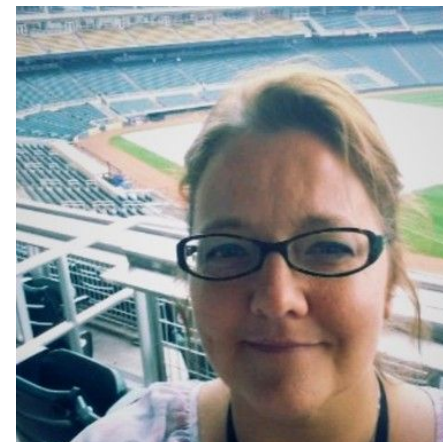
Alex Frank - *Interim President and CEO*

J. Alex Frank is managing director of Magnolia Homes, LLC. He has served as co-chair of the 2020 Urban Land Institute REDI program and on the board of the Greater Metropolitan Housing Corporation and The United Way, giving him experience in BFM's housing things.



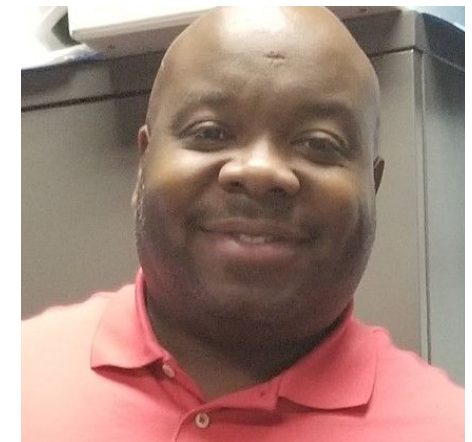
P.J. Hubbard - *VP, Enterprise Services*

Hubbard graduated with an MBA from National American University and now serves as chair of African American Family Services Board of Directors for Saint Paul Public Schools. He has been our point of contact with BFM.



Julie Finco - *Human Resources Manager*

Julie Finco has her bachelor's in HR Management & Organizational Development from Rasmussen University and has HR experience with a variety of companies.



Treco Coggins - *ICT Program Manager*

Coggins also serves as a Senior Life Skills Coach for BFM.

Management Structure

Tiernee Murphy - *Interim Board President*

- Attorney at Law Office of T. Murphy, PA
- JD at Mitchell Hamline School of Law, BBA in finance from University of Notre Dame

Mark P. Borman - *Treasurer*

- NACD Board Leadership Fellow and Member
- MBA in finance from UChicago
- Strategic Board Member growing companies ranging from startup, private equity, IPO, and nonprofit to publicly traded

Charles Bradley - *Secretary*

- Senior Content Specialist at Thomson Reuters
- Experienced publishing coordinator, BA in communications from University of Minnesota

Jeanine Patterson - *Board Member*

- Senior Director - Talent Acquisition at Optum RX, former Director & HR Business Partner at Ameriprise
- MBA in Business Administration and Management at Capella University

Jeff Ettinger - *Board Member*

- Former CEO of Hormel Foods, political candidate

Charity Engagement

Engagement Overview + Key Takeaways

Engagement

- Qualifying check with BFM management and past participant on 4/17/23
- We have had two calls with BFM VP of enterprise services PJ Hubbard, the most recent on 1/31/23
- Management has sent requested materials in a timely manner and has been willing to answer questions

Analyst view:

- Management has been responsive and willing to engage with PIT and has been helpful in sending impact reports, Form 990s, structural information, and connecting us with points of contact for qualifying checks
- Outstanding operational questions include the role that the ReUse Warehouse and other business lines play in creation of revenue and the viability of that becoming a more sustainable and permanent way to generate revenue for BFM in the future

Takeaways from calls with management:

- Job opportunities:
 - Participants typically work at the ReUse Warehouse for 6-9 months to connect with jobs that pay higher wages later on
 - Life skills coaches create prosperity plans with participants that include a holistic review of participants needs around housing, mental health, etc., then use a database of companies from partners that are willing to hire BFM participants
 - One of their partners, Twin Cities Rise, has a database of over 1,500 companies to choose from
- Program Goals:
 - BFM wants to focus on paying participants a competitive wage while they are employed at the ReUse Warehouse
 - The goal is to grow the social enterprise earned revenue as much as possible to become less reliant on individual grants and donors
 - This is especially important because earned revenue is unrestricted in use and can be more easily reinvested back into BFM's operations

Charity Growth

Future Plans & Room for Funding

- Future Plans
 - As seen from revenue and expenses over time and calls with management, BFM has room for funding and is consistently looking to expand their business lines
 - Because revenue generated from their business lines is unrestricted in use unlike state and grant funding, BFM is seeking any opportunity to increase revenue, a unique model making it more sustainable and less reliant on outside funding
 - BFM is looking to pay all their participants that work in the ReUse warehouse at least \$15/hour, which will require additional funds for implementation
 - BFM has requested a \$10,000 donation from the USIT Foundation for operating support for its business lines - this can include necessary deconstruction and appliance recycling equipment and covering increasing transportation costs
- Room for Funding
 - As seen from revenue and expenses over time and calls with management, BFM has room for funding and is consistently looking to expand their business lines
 - They are targeting growth towards their business lines to make BFM more self-sustaining and to increase uncommitted funds that are most useful for operating support



Appendix

Contact History & Relevant Links

- Contact History
 - Initial outreach on 10/4/2022
 - First meeting with VP of Enterprise Services PJ Hubbard on 11/15/2022
 - Second meeting with VP of Enterprise Services PJ Hubbard on 1/31/2023
 - Qualifying check with PJ Hubbard, Jason Allen, and past participant Tino Jones on 3/17/2023
- Links
 - [Website](#)
 - [Form 990s](#) (2015-2019)
 - [2021 Form 990](#)
 - [Charity Navigator Ranks](#)
 - [GuideStar](#)
 - [CauseIQ Summary](#)
 - [High Level Drive](#)

- **How does BFM find job opportunities for participants outside of the BFM business lines?**
 - Participants meet with a life skills coach who creates a prosperity plan including specific needs for housing, employment, and mental health needs
 - That information is put into a database through partnerships with organizations like Twin Cities Rise to connect participants to over 1,500 job opportunities that specialize in long-term stability and higher wage employment
- **What is the average length of employment in the ReUse Warehouse and other business lines?**
 - Participants tend to work in the ReUse Warehouse as well as receive on-the-job training for 6-9 months and are then connected to higher paying jobs
- **What % of participants opt to take the housing program?**
 - Participants generally live in BFM housing for their first 6-8 months, then move into subsidized housing (there are likely rare cases or extenuating circumstances where this typical program model is not followed, but this is likely true for the vast majority of participants)
 - Experiencing homelessness is part of the application criteria for BFM, which means the housing program serves a population that would otherwise be at a high risk of homelessness or housing insecurity.
- **What happens to the 20% of folks who aren't able to find permanent housing after the 4-6-month housing program?**
 - The 20% statistic is from after completion of the full two-year program, not solely the first 6-8 months, after which subsidized housing is guaranteed by BFM until graduation from the program
 - Even outside BFM, there are other options for subsidized housing or temporary housing, including with Better Futures Minnesota's partners, likely augmented by assistance getting connected with those services from BFM and its partners



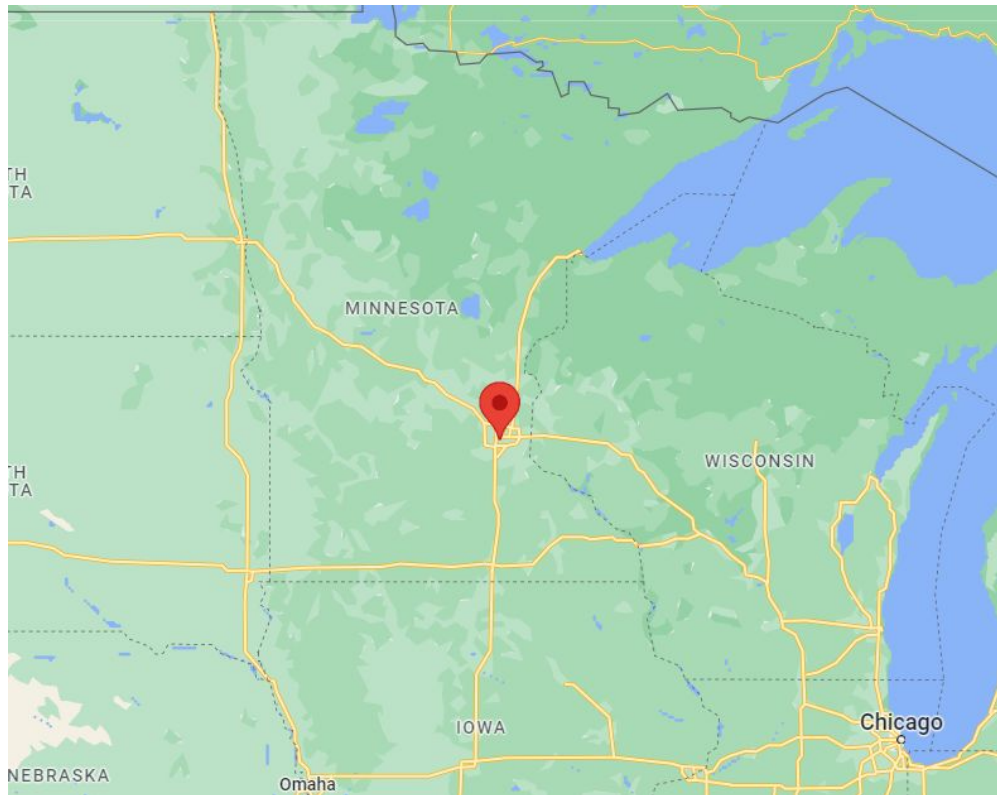
- **What types of businesses contract with BFM, besides the government? How are their services priced?**
 - This depends on the vertical that those businesses operate in. For example, BFM's employment partners in their database are not paid, but have partnered with BFM and opted into the database because they are willing to hire participants
 - While most other businesses, including healthcare, are typically priced at market rate, BFM's conditional grants functionally operate as a subsidy or discount to be applied to those areas
- **How many people does the 5% recidivism rate entail? Do you know how their 1-yr recidivism rate has trended over time?**
 - The 5% recidivism rate is calculated as the total number of participants who have recidivated divided by the number of total participants
 - BFM has previously cited having an 8% and later a 6% 1-year overall recidivism rate
- **What is the average demographic of a participant?**
 - BFM has stated that from an overall qualitative standpoint, many of their participants have been in and out of prison previously, and BFM targets men who are at least 30 years old and have experienced homelessness
- **What are the primary sources of referral?**
 - Due to its state partnerships, BFM generally receives a large number of referrals from state programs
 - BFM accepts applicants who have been incarcerated within the last year, many of their applicants are still incarcerated while applying
- **How many cohorts does BFM serve per year? How many people per cohort?**
 - BFM admits applicants on a rolling basis each month, so there aren't necessarily stable cohorts for the 6-8 initial months
 - A call with management confirmed that they have historically had between 80 and 120 participants each year and average about 100

Outstanding Questions

- What is the housing and job placement rate for participants in the long-run after completion of the BFM program?
 - BFM does not have the resources to track this long-term data
 - This adds some uncertainty to our SROI calculations, which we have tried to adjust for
- What is the wage increase from certifications earned by participants?
 - Certifications open up new opportunities for careers by meeting industry requirements in deconstruction and construction services, so there isn't necessarily a baseline to compare it to
 - BFM doesn't track long-term job placement or wages, we instead track this benefit through the increase in employment rates in the SROI

Physical Assets and Locations

- ReUse Warehouse: located at 2620 Minnehaha Ave, Minneapolis, MN 55406



Primary Interviews

- Qualifying check with past participant Tino Jones (3/17/2023)
 - Tino came to Better Futures Minnesota looking to stay out of trouble and add structure to his life through the BFM programs
 - BFM recognized Tino’s leadership abilities and gave him more specialized roles in the ReUse warehouse over time
 - Through BFM, Tino was able to earn a deconstruction certification
 - Tino attributes his ability and willingness to access therapy, increased employment opportunities, and mental & physical well-being to his experience at BFM
 - He decided to give back to BFM after completing the program and is now the manager of the ReUse Warehouse and business lines operations, where he is able to uniquely connect with and help current participants
 - Tino has also testified in front of the Minnesota legislature on behalf of BFM and shared his experience, raising awareness and helping BFM to secure more state support
 - This check showed us that BFM’s model of holistic care is crucial to their participants’ outcomes and that participants feel strongly connected to the BFM community and seek to give back after graduation



The USIT Foundation

usitfoundation.org | texasusit.org

The USIT Foundation



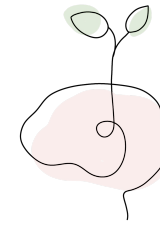
About the USIT Foundation

The USIT Foundation is the 501(c)(3) parent organization of the University Securities Investment Team, the largest student-run investment fund at The University of Texas at Austin. Comprised of alumni who started their investing journeys with the team, the USIT Foundation works closely with student leadership in the contexts of investing, data science, and philanthropy.

The USIT Foundation supports and advises the USIT student organization and marshals and engages its alumni to promote personal and professional growth through active charitable giving. In Spring 2020, the alumni of the USIT Foundation initiated a philanthropic Giving Pledge to commit time and resources to better our communities.

Philosophy and Approach

The USIT Foundation is committed to evidence-based philanthropy and continuously builds upon a model of effective, responsible capital deployment. In its months-long competitive annual process, the Foundation identifies and performs deep diligence, including client testimonials, data room modeling, and impact stress testing, on charities. In the 2022-23 academic year, the Foundation plans to provide \$100,000 in donations to several charities that operate within the three observed impact verticals, with the initial donation opening the door for years-long engagement and follow-on investments.



Education

Ensuring that students of all ages receive high-quality, equitable education while community members are properly supported.



Justice & Opportunity

Breaking down systemic barriers to assist the reentry transition and reduce nationwide recidivism.



Climate Change

Reducing emissions and waste to invest in a cleaner planet and higher quality of life for communities.

Philanthropy Investment Team



History

The Philanthropy Investment Team was formed in Spring 2020 at The University of Texas at Austin by request of the University Securities Investment Team (USIT) Foundation and Alumni Network, which wished to establish a partnership with the student organization to source charitable investment opportunities.

This fund generates ideas and performs diligence on charities that merit a donation with a value investing framework. Through the primary and secondary research of undergraduate Analysts, the Philanthropy Investment Team is developing a model of impact measurement, both for initial investment diligence and subsequent staged donations. Its funds are replenished yearly, comprising 1% of the total Annual Gross Income of the Alumni Network.

Senior Analyst Contact

Elaine Yao is a second-year undergraduate student at The University of Texas at Austin majoring in Canfield Business Honors and Finance. For any questions about this project, you may contact her at elaaneyao@utexas.edu.



Junior Analyst Contact

Lindsay Jade Feinstein is a first-year undergraduate student at The University of Texas at Austin majoring in Plan II Honors and Canfield Business Honors. For any questions about this project, you may contact her at lindsayjadefeinstein@utexas.edu

