

PelotonU

An Austin, TX, charity that enables non-traditional students to receive a college education



Charity Summary

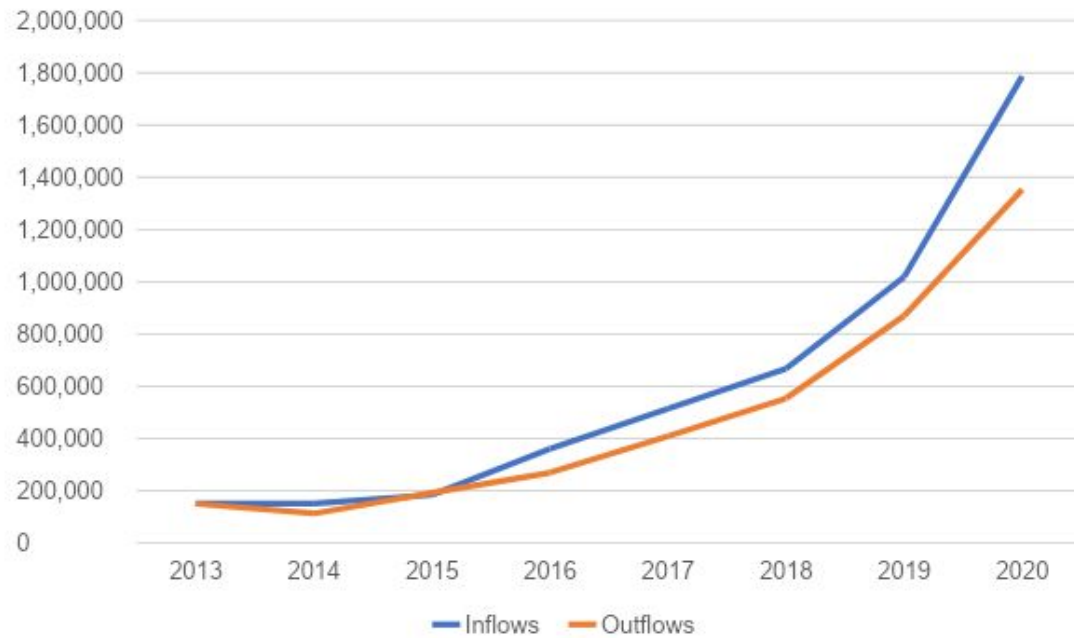
Charity
Overview

Donation
Thesis

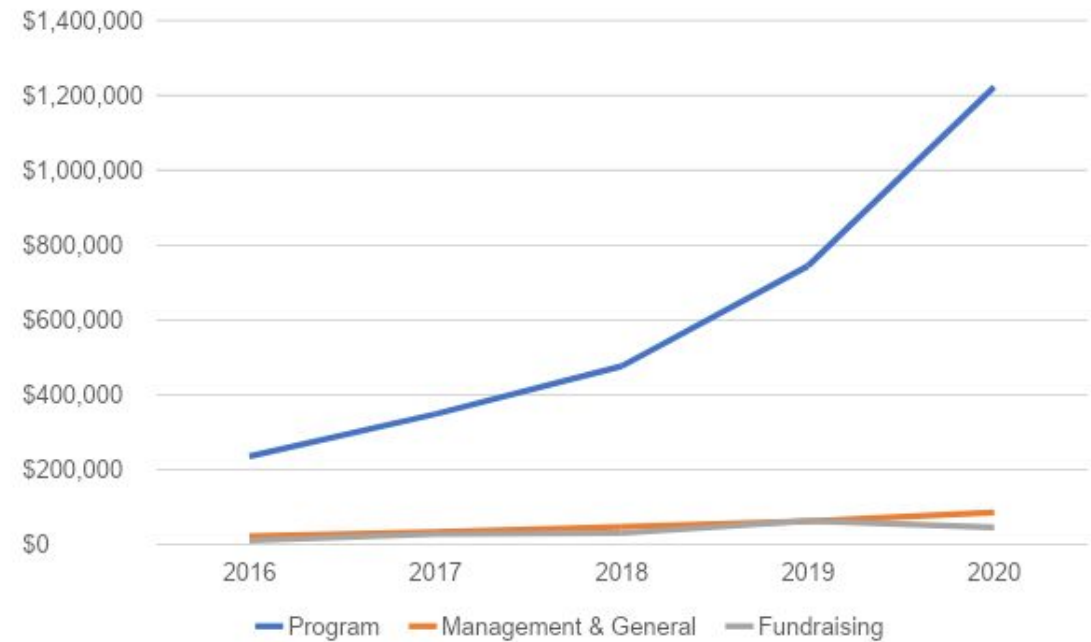
- **Founded in 2012, PelotonU provides an alternative way for nontraditional students to receive a college education.**
 - PelotonU's graduation rate is currently 57%, 4.75x higher than ACC's graduation rate.
 - PelotonU's current revenue totals \$1m, which exceeds its \$800k in annual expenditures
- **Charity extremely data focused and adaptable to evolving education landscape.**
 - PelotonU tracks graduation, salary, time to degree completion, and many other factors that influence their students and pivots to continually provide the best student experience.
- **PelotonU has received many donations from large foundations and national recognition for its work.**
 - PelotonU was previously funded by the Michael & Susan Dell Foundation and currently partners with Imaginable Futures. They are also members of the Hybrid College Network.
- **PelotonU is currently primed for massive growth over the three years.**
 - They have an aggressive growth strategy to go from 50 to 800 enrollments by 2024 through implementing new referral partner program and national expansion.
- **PelotonU is the best path to a degree for nontraditional college students.**
 - The SROI for incremental capital deployed is 25.6x.
- **The USIT Foundation has an opportunity to partner with PelotonU.**
 - The management team is extremely competent, responsive, and friendly.
 - A \$25k donation can fund the high front-end costs of enrolling new students during its expansion.

Financial Snapshot

Inflows and Outflows



Expense Breakdown



Program Summary

Wrap-Around Mentorship Support

- Students are advised with the logistics of their degree during a 6-week onboarding process
- Students are advised with the application process of scholarships, FAFSA, and the Pell Grant
- Coaches guide students through material for a minimum of 30 minutes per week

Competency-Based Curriculum

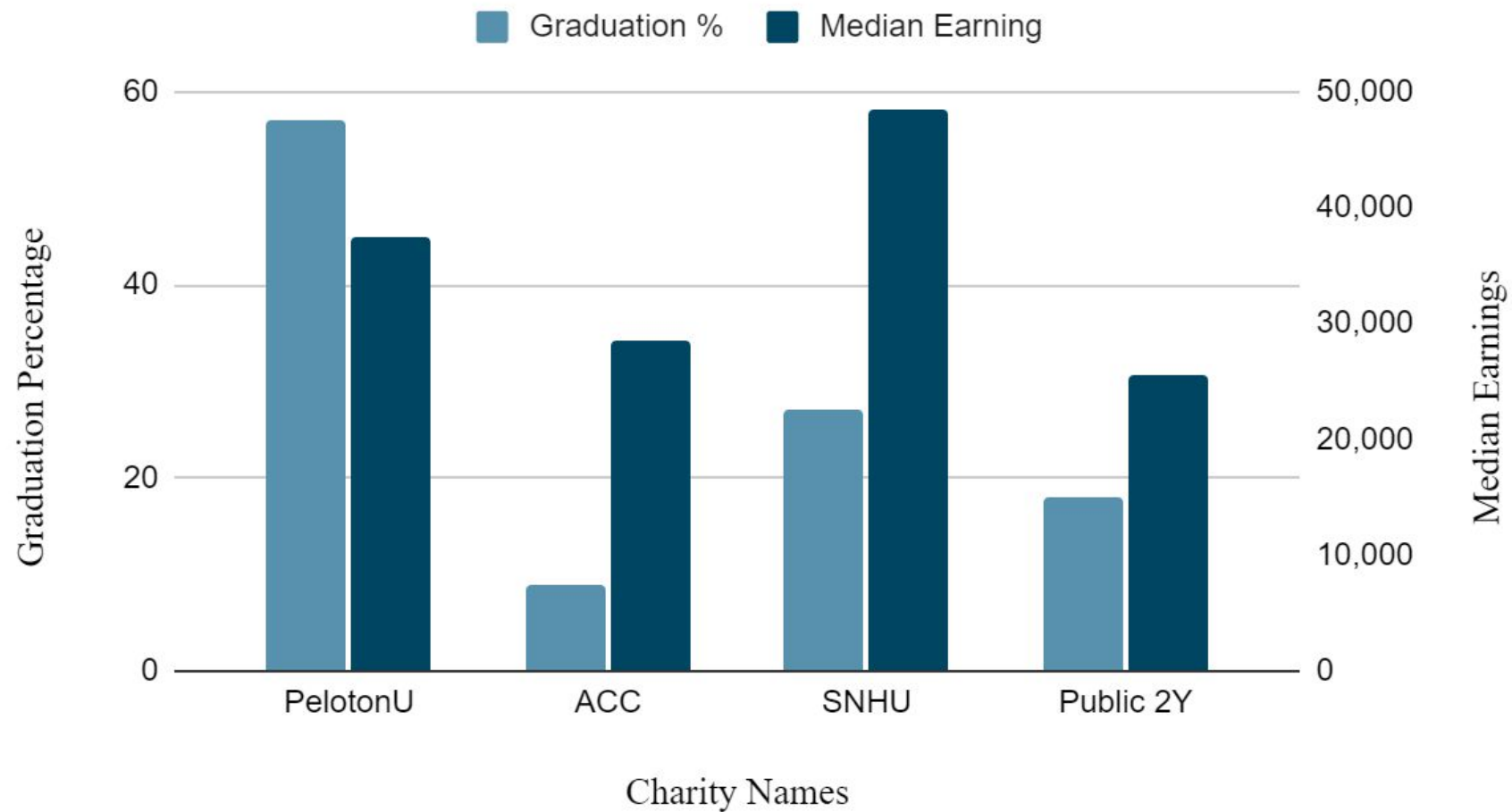
- Students are offered exclusive access to competency-based curriculum from SNHU and WGU
- Students may complete as many classes in as little time as necessary
- Over the internet, students submit mastery projects that are graded by experts in the field

Theory of Change Summary

Inputs	Activities	Outputs	Outcomes	Impacts
<ul style="list-style-type: none"> • \$1,019,484 cash inflows (70% contributions, 30% program services) • 19 employees <ul style="list-style-type: none"> • 7 college completion coaches • 10 volunteers • Partnerships with SNHU and WGU 	<ul style="list-style-type: none"> • Multi-stage program • Wrap-Around Mentorship Support • 6-week onboarding process <ul style="list-style-type: none"> • Financial aid application help • Scholarships and term balance fund 	<ul style="list-style-type: none"> • 1400+ initial calls • 350+ enrolled into hybrid college • 55% onboarding conversion rate • 50 current enrollments • 87 associate's degrees earned • 23 bachelor's degrees earned 	<ul style="list-style-type: none"> • Average \$19,304 increase in yearly income • 57% graduation rate • 81% retention rate • More than 40% of students earn their degree for free 	<ul style="list-style-type: none"> • Increase graduation rates for nontraditional students • Increase income for those making about \$18,000 per year • Increase employment • Secondary impacts of success for children

Comparable Charity Comparison

Graduation vs. Median Earning



Best in class SROI

SROI

Higher Wages Total Lifetime Benefit	\$	216,370
Program Reinvestment Total Lifetime Benefit	\$	952
Increased Wages for Children Total Lifetime Benefit	\$	160,952
Cumulative Total Lifetime Benefit	\$	378,274
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Total Uncertainty factor		1.00
Total Adjusted Return Calculation	\$	378,274
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Cumulative Total Lifetime Cost	\$	14,782
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SROI		25.6x

Impact

Increased Graduation Rate

- PelotonU has a graduation rate of 57%
 - Compared to Austin Community College (where many PelotonU students previously attended) graduation rate of 12%
- Total of 23 Bachelor's Degrees and 78 Associate's Degrees earned since inception

Increased Wages

- \$19,304 increase in wages due to PelotonU degree
- Wages before PelotonU: \$18,096
 - Earnings more than double due to PelotonU
- Effect amplified even further by higher graduation rate than peers

Key Risks and Mitigating Factors

Key Risks	Mitigating Factors
<i>Difficulties of national recruitment</i>	<ul style="list-style-type: none">• PelotonU beginning partnerships with Uplift, OneGoal, and Goodwill to increase enrollment funnel
<i>Pivot to virtual not as effective</i>	<ul style="list-style-type: none">• Students able to complete their degrees at their convenience and eliminate travel time to study• SNHU and WGU classes already delivered virtually, no change in instruction medium
<i>Self-selection bias masking actual effect of solution</i>	<ul style="list-style-type: none">• Through our regression analysis of current and former students, we have uncovered what influences continuation and graduation the most to better understand the impact.• See Additional Information for regression results

Charitable Vertical

College Education for Nontraditional Students

Issue overview

- The National Center for Education Statistics estimates that [74%](#) of college students have at least one “post traditional” characteristic.
 - Delayed enrollment, attend part time or at least part of the academic year, works 35+ hours a week, financially independent, has dependents other than a spouse, is a single parent, does not have a high school diploma
- At **Austin community college**, the graduation rate for part-time students funding their education through the Pell Grant was only [15%](#).
- PelotonU [targets](#) the neglected 74% of nontraditional students
 - Average student makes \$18,000
 - 48% are parents
 - 86% are students of color
 - 52% have tried college before

Discussion of Root Causes

- Colleges are designed for students who can make the monetary and time commitment to their education
- Nontraditional students typically fail because they don't have the time to leave work, their families, etc.
 - Lost income means students can't pay for living necessities and education
- Nontraditional students are also likely to fail because they lack the financial resources to access education
 - An in-depth survey conducted by Public Agenda showed that [71%](#) of students who left higher education before graduating cited the **“need to work and make money”** as a reason they left, while [52%](#) pointed to the **high cost of tuition**.
 - Undergraduate Texas resident students at public two-year institutions had an average of [\\$9,940](#) in **unmet need**

Response to issue (comparables)

- Hybrid College Network, a consortium of colleges including PelotonU, seek to help nontraditional college students obtain a degree
 - These programs include Duet, Rivet School, and Idea-U
- Common universities used by these programs:
 - SNHU
 - WGU
 - West Texas A&M
- PelotonU's peers don't provide nearly as much **impact data** and serve many **fewer students**

Program Activities

Competency-based curriculum and wrap-around mentorship support

Details on Competency-Based Curriculum

- In each course, students complete summative projects to a degree of “Mastery” or “Not Yet” and can retry until “Mastery” achieved
- Competency-based curriculum currently offered through WGU and SNHU partnerships
 - School transcript lists every course a student has mastered and can be converted if asked for by employer
- Professors help give resources, TA or tutor assist students, separate grader who is an expert in the field
- Classes are given in virtual format, so WGU and SNHU have capacity to add thousands of more students and for a relatively cheap price

Growth plans

- PelotonU has ambitious growth plans
 - Want to expand nationally to gain access to national charitable funds
 - Still focus on Central Texas
- Plan to have 150 students enrolled by end of 2022 and 800 enrolled by end of 2024
 - 50 students enrolled in 2021 school year
- Growth strategy
 - Source students through enrollment partners who will refer up to 50 enrollments each
 - Enrollment partners launching this year: Uplift, OneGoal, Goodwill
 - Want to have 16 enrollment partners by 2024

Theory of Change

PelotonU uses competency-based curriculum to increase college graduation rates and incomes for non-traditional students

PelotonU addresses education among non-traditional students

- This is worth addressing because
 - A 5% increase in college graduation rates produces an [18.7%](#) reduction in the homicide rates
 - Increasing education among non-traditional students can [increase](#) social mobility and economic growth while simultaneously [reducing](#) racial inequality
- Competency based curriculums work best
 - Completion rates of students in CBE programs range from [15% to 80%](#) which is [2% to 10%](#) higher than their comparison groups
 - PelotonU further outperforms this standard by [30% to 48%](#)
 - Competency based curriculums have also been linked to an [increase](#) in satisfaction, promotion, and degree acceleration rates as compared to traditional curriculums
- Alternative ways to address lack of education
 - There have been other attempt to target non-traditional students through online educational courses. However, multiple studies conclude that online exclusive students [perform worse](#) and [graduate less](#). Furthermore, the same achievement disparities that exist for low income and minority students in traditional schooling [still exists](#) in online platforms

SROI Calculation

Based on raw data provided by PelotonU, calculations by the PIT team, and outside data

SROI Assumptions

Increased Wages

Grad rate w/o Peloton		12%
Grad rate w PelotonU		57%
Income w/o Graduation	\$	18,096
Income w Graduation	\$	37,774
Cost of USFG Funding Pell Grant		(\$300)
Number of PelotonU grads		23

CAGRs for Wages

SNHU: 25-35		5.443%
SNHU: 35-45		1.117%
High School: 25-35		5.017%
High School: 35-45		1.785%
High School: 45-55		1.032%
High School: 55-65		0.241%

Increased Wages for Children

Grad rate w/o Peloton		12%
Grad rate w PelotonU		57%
Number of PelotonU grads		23
Number of children per grad affected		1.93
Child college grad rate (parent some college)		34%
Child college grad rate (bachelor's degree)		60%
Salary child with parent with some college		\$99,600.00
Salary child with parent with bachelor's degree		\$135,800.00
Salary child non-graduate w parent w some college		\$49,900.00
Salary child non-graduate w parent w bachelors		\$58,600.00

Cost Projections

Year	2017	2018	2019	2020	2021
Cost	\$1,510.00	\$2,094.00	\$2,444.00	\$2,785.00	\$3,136.00
FV (2022)	\$2,218.69	\$2,848.86	\$3,078.74	\$3,248.42	\$3,386.88
Total Cost	\$14,781.59				

SROI Calculations

SROI

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SROI	25.6x
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		Discount Rate				
		6.0%	7.0%	8.0%	9.0%	10.0%
Total Uncertainty Factor	0.60	24.1x	19.1x	15.4x	12.5x	10.4x
	0.70	28.1x	22.3x	17.9x	14.6x	12.1x
	0.80	32.2x	25.5x	20.5x	16.7x	13.8x
	0.90	36.2x	28.6x	23.0x	18.8x	15.5x
	1.00	40.2x	31.8x	25.6x	20.9x	17.3x

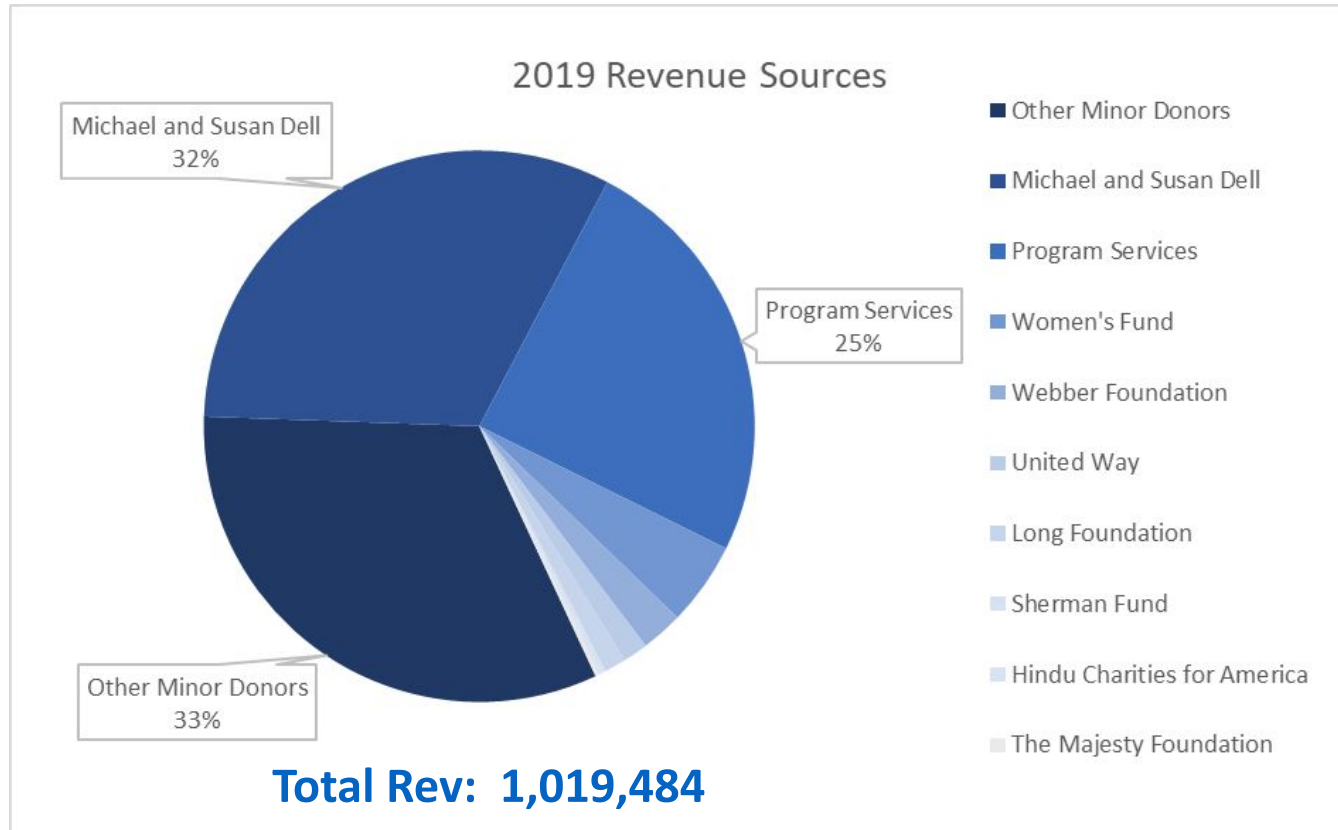
Other SROI Considerations

- Items excluded from SROI calculations:
 - Reduced anxiety due to less student loan debt
 - Reduced crime from increased graduation dates
 - Increased homeownership
 - Increased likelihood of having employer-provided retirement plans & health insurance
 - Less dependence on social services like SNAP & Medicaid
 - Increased likelihood of voting

Financials

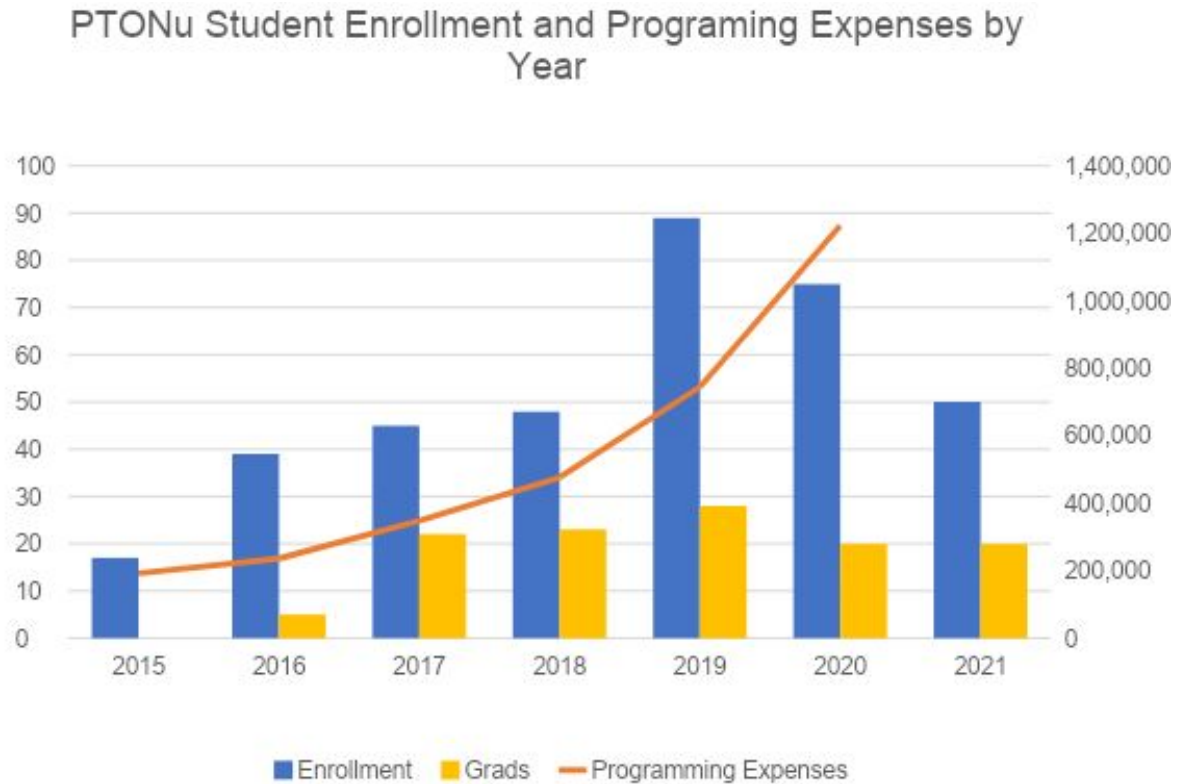
Further information on what goes into the charity's financial picture

Further details on Funding



- This year PelotonU won't be receiving a donation from the MSDF
 - They're looking to invest into fewer charities in larger amounts
- Currently receiving new grant from Imaginable Futures

Items from financials



- PelotonU's programming expenses increase as new students are added
 - This is why ~\$800,000 was spent in the same year as 20 graduations
 - Graduations are product of less spending from previous years
- We can expect more graduates following fast increase in enrollment and as students adapt to Covid-19

Graduation/ Break Even timeline for Associates

			Year 1			Year 2		
	Term -1	Term 0	Term 1	Term 2	Term 3	Term 4	Term 5	Term 6
Revenues	\$0	\$0	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100
Direct Costs	\$0	\$883	\$483	\$483	\$483	\$408	\$408	\$408
Indirect Costs	\$467	\$167	\$167	\$167	\$167	\$167	\$167	\$167
Net Income	-\$460	-\$1050	\$450	\$450	\$450	\$450	\$450	\$450
Breakeven	-\$460	-\$1,510	-\$1,060	-\$610	-\$160	\$365	\$890	\$1,415

Cost to Acquire

Avg. Graduation

Additional Information

Outstanding Questions

- [anything unresolved / ideas for future work]
 - Can be charity-specific or related to the charitable vertical

Regression Analysis Results

Factor	Slope
(Intercept)	1.05231217
genderGender Queer or Gender Non-Conforming	0.29606871
genderMale	-0.1137393
genderTransgender	0.60385642
ethnicityAmerican Indian or Alaska Native; Black or African American; Hispanic, Latino or Spanish origin; White	-0.5957289
ethnicityAnother racial or ethnic identity	-0.3178987
ethnicityAsian	0.04537847
ethnicityAsian; Black or African American; Hispanic, Latino or Spanish origin	-0.7738981
ethnicityAsian; White	-0.394825
ethnicityBlack or African American	-0.2785499
ethnicityBlack or African American; Hispanic, Latino or Spanish origin	0.39110038
ethnicityBlack or African American; Hispanic, Latino or Spanish origin; White; Another racial or ethnic identity	0.44338135
ethnicityHispanic, Latino or Spanish origin	-0.2900341
ethnicityHispanic, Latino or Spanish origin; Native Hawaiian or Other Pacific Islander	0.1929836
ethnicityHispanic, Latino or Spanish origin; Some other race, ethnicity or origin	-0.728707
ethnicityHispanic, Latino or Spanish origin; White	-0.509608
ethnicityHispanic; Latino or Spanish origin	-0.521273
ethnicityMiddle Eastern or North African	0.41181758
ethnicityNative Hawaiian or Other Pacific Islander	-0.9204906
ethnicityNative Hawaiian or Pacific Islander	0.06406665
ethnicitySome other race, ethnicity or origin	-0.572227
ethnicityWhite	-0.3072959
referral_sourceCurrent PelotonU Staff	-0.3658894
referral_sourceCurrent PelotonU Student	0.18705727
referral_sourceCurrent PU Student	-0.2452123
referral_sourceEmployer	-0.1091532
referral_sourceEvent	-0.3577015
referral_sourceHigh School	0.04575868
referral_sourceNonprofit	-0.1752769
referral_sourceOther	-0.3437738
referral_sourceReferral	-0.374176
referral_sourceWeb/Social Media	-0.3479111
avg_pell	-3.182E-05
pay_for_collegeOther	-0.0864976
pay_for_collegePU Scholarship	0.05214801
amount_paid	7.878E-06
typeNon-PU Scholarship	-0.1547591
typeOther	-0.0840575
typeSelf-Pay	-0.0121823

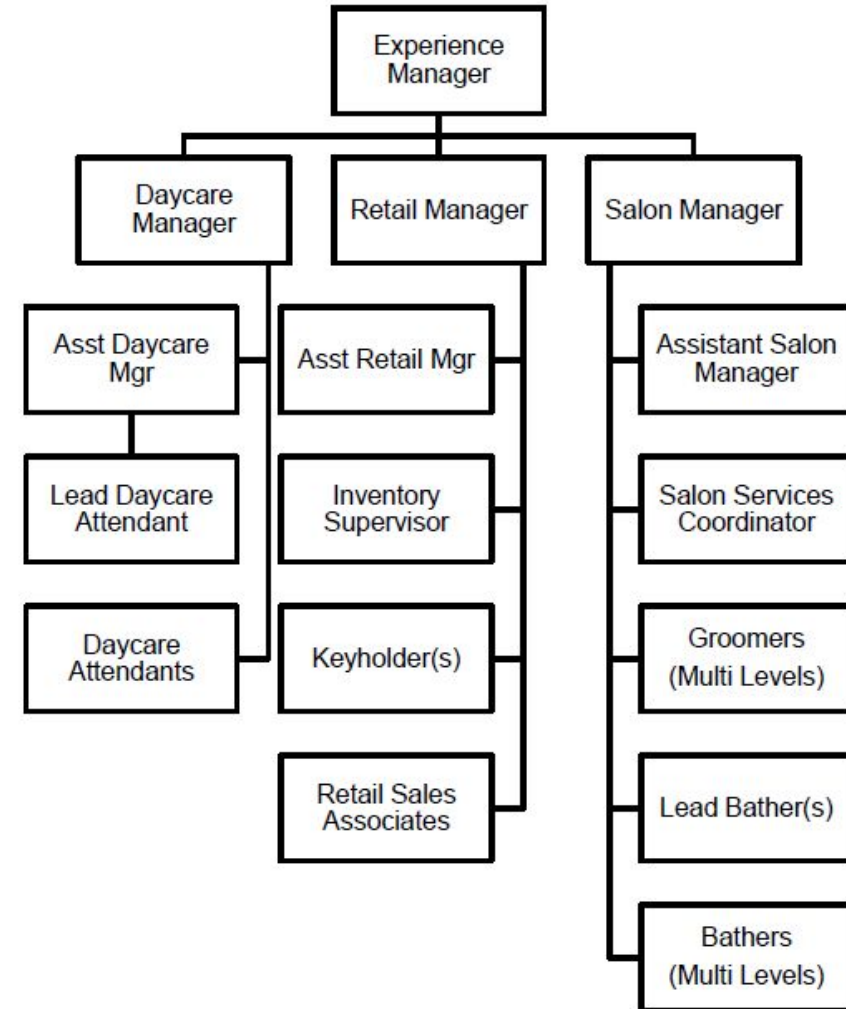
Comparable Charities [reasonable # - 1/2/3/4/5]

Charity HLA

Charity HLB

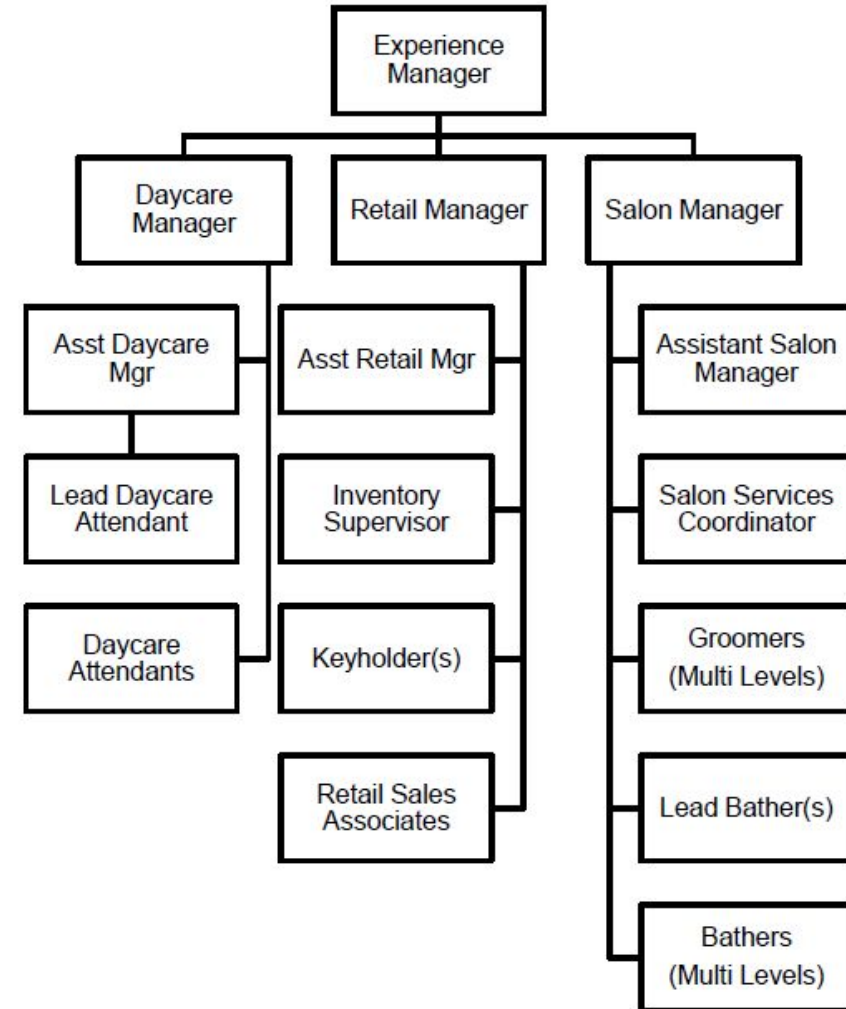
Management Structure

- Names of people, titles, description of activities
- Additional notes (e.g., additional tie ins to the organization or its operations)



Board Structure

- Names of people, titles, description of activities
- Additional notes (e.g., additional tie ins to the organization or its operations)



Summary of Diligence Activities / Notes

- Talked with Executive Director multiple times
- Read sample class project to understand requirements
- Interviewed 2 current and former students
- Performed statistical analysis to assess self-selection bias
- Talked with funders Imaginable Futures and the Michael and Susan Dell Foundation to learn more about their diligence process on PelotonU