

Portfolio Update

PelotonU

Presented by The USIT Foundation in Spring '23

Originally Presented in Spring 2022

Charity Overview

- Founded in 2012, PelotonU provides **competency-based post-secondary education** for “post-traditional” students (e.g., those requiring flexible education options given work and family responsibilities) to earn college degrees
 - The National Center for Education Statistics¹ reports that 74% of students are now post-traditional, which means they are older than 24, work over 30 hours, or support a family. Post-traditional students are 5x less likely to graduate than their peers
 - PelotonU’s graduation rate is currently 57%, 4.75x higher than Austin Community College’s graduation rate²
- PelotonU’s hybrid college approach redesigns postsecondary education by pairing affordable, self-paced degree programs with a trained coach
- **Competency-based Curriculum**
 - Students have exclusive access to competency-based curriculum offered by from Southern New Hampshire University and Western Governors University
 - Courses are given in a virtual format, allowing for greater flexibility for student schedules and scalability by educational institutions
 - Students may complete the courses in as little time as necessary
 - In practice, students complete summative projects in their courses to a degree of “Mastery” or “Not Yet” and can retry until “Mastery” is achieved
- Formal education is supplemented with PelotonU’s **wrap-around mentorship support**, which emphasizes coaching and community resources
 - **Coaching** – Students are paired with trained educators for weekly in-person academic, logistical, and emotional support sessions
 - **Community & Care** – PelotonU offers academic resources through partnerships with social service providers to address secondary barriers like childcare, financial aid, and access to mental health counseling

Charity Overview (Cont.)

PelotonU vs. Traditional Higher Education ¹

	Public 2-Year College	Public 4-Year College	Private 4-Year College	PelotonU
Net Price	\$7,600	\$14,900	\$16,400	\$1,200
Time to 1 st Credential	3.1 years	4.0 years	1.6 years	1.3 years
Median Debt	\$12,000	\$24,500	\$17,900	\$5,600
Median Earnings	\$25,600	\$30,000	\$23,000	\$38,000
One Size Fits All Services				Personalized Coaching
Fixed Pace				Flexible Pace
Textbooks & Tests				Project-Based Learning

1. Per PelotonU 2022 – 2024 Prospectus. Note that PelotonU net price represents cost of education only and excludes other student costs such as mentorship and additional resources

Charity Updates & Forward Trajectory

Notable Highlights

- Since COVID, PelotonU has introduced a fully virtual model to expand nationally
- Their student support team has doubled in size from 5 to 10 to expand their programs outside of Texas
 - This has led to PelotonU's virtual team model to increase nationwide accessibility
 - PelotonU is now focusing on developing staff groups that focus on cross-functional operations to improve cohesion post-pandemic
- Last year, PelotonU absorbed ~100 students from a merger with another South Texas nonprofit (IDEA-U) for a total of 167 enrollments
- Partnerships:
 - OneGoal and Uplift partnerships haven't yet yielded enrollment results, which has implicated PelotonU's ability to reach their original goals
 - PelotonU is currently working with Goodwill in Houston (resulting in 12 new enrollments last year) and is about to launch a partnership with Goodwill Austin

Future Plans

- Activating national partnerships has been slower/more difficult than expected because of lack of enrollment, so PelotonU is still looking to grow in scale but wants to focus on Texas in the short-term
- PelotonU has several goals for this year that a donation from PIT could be used to assist:
 - Hiring a data manager to oversee data from university partners to plan more useful interventions from PelotonU
 - Hiring a care coordinator to most effectively allocate funding interventions to create the largest impact on graduation rates
 - Piloting a partnership with local tech company Get/Sales to reach gig economy workers for potential enrollments

Greater operational leverage expected in 2023 as PelotonU scales in efficiency and service revenue

- Set forth below is a summary of PelotonU’s 2021 financial results, the budgeted vs. actual results for 2022, and the budget for 2023
- The PelotonU model is increasingly funded by an earned income model (“Coaching Revenue”), wherein partner institutions pay the charity to provide wrap-around coaching for students. Rates vary by school and average \$2,000 per student per year
- Unit economics metrics are shown as both total expenses and expenses requiring philanthropic funding on a per-enrolled student and per-graduate basis. As the organization scales in efficiency and is able to self-fund operations with a higher percentage of service-generated revenue, the Philanthropic Revenue Needed per Graduate is expected to decrease from \$10.7K to \$8.7K and the Total Philanthropic Revenue Needed per Enrolled Student is expected to decrease from \$9.6K to \$4.2K

(\$ in '000s)	2021A	2022B	2022A	2023P
Revenue:				
Coaching Revenue	\$335	\$469	\$466	\$464
Philanthropy	1,338	1,433	1,577	1,400
Total Revenue	\$1,673	\$1,902	\$2,043	\$1,864
% Service Revenue	20%	25%	23%	25%
Total Expenses	\$1,639	\$1,902	\$1,947	\$1,860
Total Enrolled Students	140	231	277	330
Total Expenses per Student	\$11.7	\$8.2	\$7.0	\$5.6
Total Philanthropic Revenue Needed per Student	\$9.6	\$6.2	\$5.7	\$4.2
Graduates	125	155	158	161
Total Expenses per Graduate	\$13.1	\$12.3	\$12.3	\$11.6
Total Philanthropic Revenue Needed per Graduate	\$10.7	\$9.2	\$10.0	\$8.7

Key Performance Indicators

Note: Management is working on providing historical KPIs, including graduation rates and post-programming wages

	Form 990 Available						
	2017A	2018A	2019A	2020A	2021A	2022A	2023E
Program Service Revenue	\$57,824	\$189,368	\$250,843	\$267,760	\$335,300	\$465,955	\$464,000
All Other Revenue	\$456,262	\$478,343	\$768,641	\$1,519,626	\$1,338,000	\$1,577,000	\$1,400,000
Total Revenues	\$514,086	\$667,711	\$1,019,484	\$1,787,386	\$1,673,300	\$2,042,955	\$1,864,000
<i>YoY Growth</i>		30%	53%	75%	-6%	22%	-9%
<i>Memoranda: Service Revenue as a % of Total</i>	11%	28%	25%	15%	20%	23%	25%
Expenses	\$409,410	\$553,961	\$869,821	\$1,354,265	\$1,639,000	\$1,946,557	\$1,860,000
<i>YoY Growth</i>		35%	57%	56%	21%	19%	-4%

Key Performance Indicators:

Number of Outreach Calls					327	288	500
Enrollments / Active Students	54	88	140	212	140	277	330
Graduates					125	158	161
% On-Time to Graduate					55%	61%	65%
Average Wage Increases						\$19,395	

Prior Engagement & Analyst Verdict

- PelotonU utilized PIT's donation to launch its national partnerships and has since increased enrollments through their partnership with Goodwill
- Now, PelotonU aims to grow enrollments by focusing on Texas in the short-term before increasing national presence
- PelotonU would use a donation from PIT to fund a new data manager, care coordinator, or launch a new program with Get/Sales

Contact History

- Call with executive director Hudson Baird on 3/3/2023

Analyst Verdict:

PelotonU deserves a donation due to their continued willingness to partner with PIT and their goals for growth and optimizing their interventions to create a sustainable educational impact aligning with PIT's mission.

- A donation from PIT could help PelotonU hire a data manager to maximize the effectiveness of their spending and interventions (\$40k), support their new care coordinator role, or help launch their partnership with Get/Sales (\$40-50k) to access a new demographic of potential students - each of which will fundamentally improve their operations
- PelotonU has stated that they are open to utilizing a donation from PIT for whichever of those areas PIT would like to learn more about and continue to partner with us

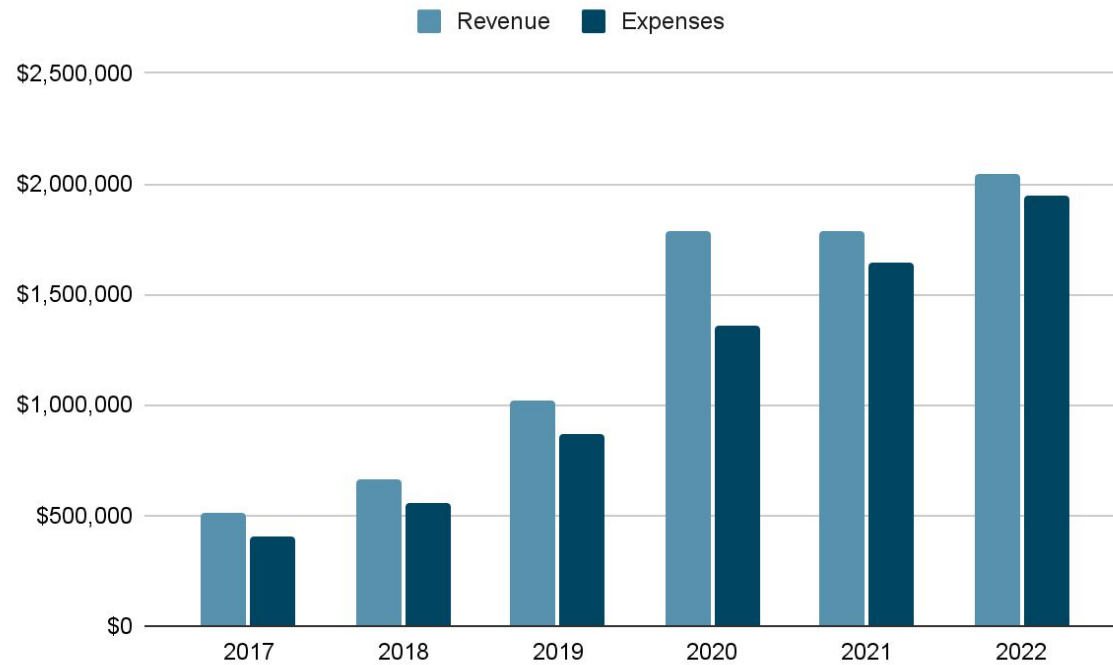
Appendix

Relevant Links

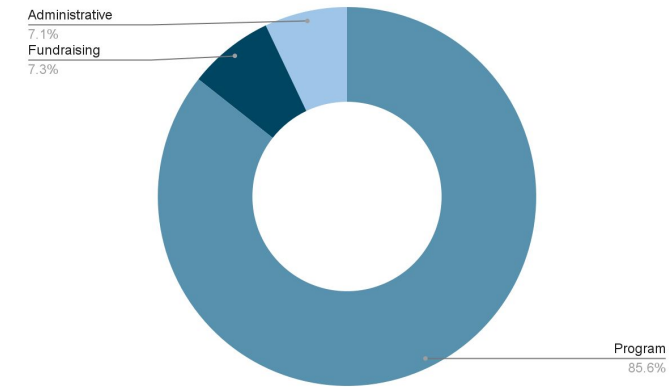
- **2023 relevant links**
 - [2021 Form 990](#)
 - [2022 End-Of-Year Report](#)
 - [2021 Audit](#)
 - [2023 Call Notes](#)
- **Original relevant links**
 - [Data](#)
 - [Theory of Change Study #1](#)
 - [Theory of Change Study #2](#)
 - [Website](#)
- **Existing Decks**
 - [PelotonU Original Presentation](#)
 - [PelotonU 2022 Portfolio Update](#)

Updated Financials

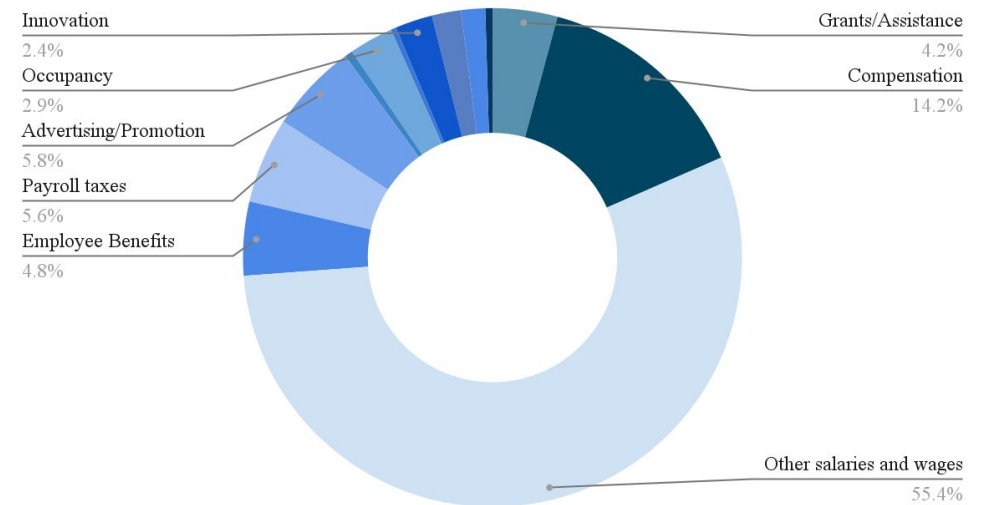
Revenues and Expenses over Time



2021 Expenses Breakdown



2021 Program Expenses Breakdown



The USIT Foundation

usitfoundation.org | texasusit.org

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.

Junior Analyst

Lindsay Jade Feinstein

lindsayjadefeinstein@utexas.edu



Portfolio Manager

Chengxi Gang

chengxigang@utexas.edu



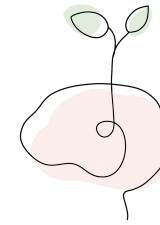
About the USIT Foundation

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.

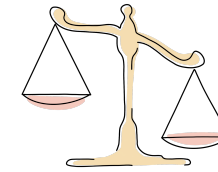
Philosophy and Approach

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.