



Pathways Investment Memo

February 2011

YOUTHBUILD USA

Investment Decision

The Pathways Fund will invest \$1,000,000 in YouthBuild USA:

- **The NEED:** A high school degree or GED is proving to be insufficient for youth who have dropped out of high school to obtain successful jobs and living wage employment. In today’s workforce, a post-secondary degree is becoming increasingly essential.
- **The SOLUTION:** Through its Postsecondary Education (PSE) Initiative, YouthBuild is adding on to its program in order to help at-risk youth reach success through college enrollment, persistence, and eventually living wage employment. YouthBuild’s current 273 local sites represent a large network to expand the PSE program. In addition, the organization is highly engaged in policy issues and has a clear perspective on how to reach systemic impact.
- **YOUTHBUILD & THE PATHWAYS FUND:** YouthBuild’s historical identity is job training and its future identity is education; it embodies the type of blending between workforce and education that Pathways is seeking to catalyze. It has the potential to gather program evidence across all 4 measurable Pathways outcomes. Furthermore, the fact that YouthBuild has a strong policy orientation with broad networks in departments of education and labor and strong relationships with community colleges (bringing post-secondary institutions into the Pathways network), offers significant potential.

About the Organization & Social Entrepreneur

YouthBuild applied to the Pathways Fund specifically for its Postsecondary Education (PSE) Initiative. The purpose of YouthBuild USA is to help at-risk youth who have dropped out of high school receive a high-school degree or GED through a year of service, construction, and schoolwork. The PSE Initiative partners with colleges to support those youth on a path to lifetime success by helping them apply, enroll, and persist in two and four year colleges.

The organization has 273 sites in 45 states. The PSE Initiative will be added to seven existing sites. Program interventions include (1) deepening institutional academic rigor (e.g., through curriculum improvement); (2) ensuring joint accountability, dual credit, and enrollment into post-secondary institutions; and (3) providing on-going support to students (e.g., through financial aid incentives).

Dorothy Stoneman founded YouthBuild in 1988. She served as a founding board member of Youth Service America, is the founding co-chair of the Ford Foundation’s Leaders for a Changing World, and founding co-chair of the Campaign for Youth. Dorothy was selected by Non Profit Times as one of the 50 most influential non-profit leaders in 2008, was awarded a Skoll Award in 2007, the John Gardner Annual Leadership Award, and a MacArthur Fellowship (“genius grant”) in 1996. Dorothy has a bachelor’s degree in history and science from Harvard University and a master’s degree in early childhood education and doctorate of humane letters from Bank Street College of Education. The Director of the PSE Initiative is Scott Emerick.

Evaluation overview

SUMMARY OF REVIEW		
Lead Reviewers	Sarah Di Troia (New Profit), John Yang (New Profit), Carolien de Bruin (New Profit), Mary Terzian (ChildTrends), Sue Yun Chi (SeaChange)	
Primary Measurable Outcome	College Enrollment	Preliminary Evidence
Secondary Measurable Outcome	High School Graduation & GED Attainment	Preliminary Evidence
	College Credit Accumulation/ Living Wage Employment	No evidence available yet

ORGANIZATIONAL CAPACITY

YouthBuild is currently in a moderate financial position. In FY2008 YouthBuild experienced a significant downturn resulting in a \$2mm deficit and a negative unrestricted net asset balance for FY2008 and FY2009.

Its **current financial position looks like it is improving**: YouthBuild has been working to **increase its fundraising capacity and to create a three-six month unrestricted cash position for FY2010 and FY2011**. A very positive development involves the fact that it has been able to confirm 95 percent of funding already at this point (as of December 1st 2010) to support its 2011 fiscal year budget, which has significantly increased from prior years. In terms of its reliance on individual funders, in fiscal year 2009, 67 percent of YouthBuild's revenues are derived from its top two funders. A significant share of its funding in the meantime involves multi-year funding from federal sources which increases the predictability of its revenue streams.

YouthBuild has **sufficient systems and processes in place to manage its operations and its current federal grants**. While our impression has been that the process for tracking and managing expenses is relatively cumbersome, the organization indicated that it is satisfied with its systems and upon an internal review, decided not to upgrade these in the near future. At this point, it appears that YouthBuild has preliminary insight into its unit economics. YouthBuild's ability to understand its unit economics could be further improved but it is sufficient to manage the grant.

YouthBuild is applying for Pathways Funding for its PSE Initiative, which is currently funded by a \$6 million Gates Foundation grant to work in seven sites and is being supplemented by a \$750,000 Open Society Foundation (OSF) grant covering five additional sites over three years. While PSE is a separate program at the site level, it is also integrated with other programs. As a result, it appears that the budget for PSE is largely used to track expenses against grants, and not to track the Initiative as a whole. We are highly **confident that the YouthBuild will be able to manage Pathways funding requirements appropriately**. Allocations will be made directly to local sites.

SOCIAL ENTREPRENEUR

Dorothy is committed to the PSE Initiative as the future of YouthBuild and is providing strong leadership on its roll out. Meanwhile, Scott Emerick is a thoughtful and respected leader within the PSE Initiative.

Dorothy has a strong track record of attracting financial resources (primarily from the government) and has a reputation for making tough decisions necessary to grow the organization. She has been the main driving force in re-aligning the organization's identity towards the PSE Initiative, which she regards to be at the core of YouthBuild's model. With her long legacy and significant influence at YouthBuild, succession planning was an area of inquiry. Dorothy has been preparing and strengthening her senior leadership team to take over her duties and plans to finalize her succession plans over the next five to seven years.

Dorothy has demonstrated an ability to attract strong talent such as the new director for the PSE Initiative, Scott Emerick. Scott is articulate about the key elements of its programmatic structure and highly aware of the challenges that are associated with a rapid rollout of the programs. As YouthBuild aims to push forward with its PSE Initiative across all of its sites, **the Pathways team will seek opportunities to support Scott and build momentum around this Initiative internally and externally**.

DIRECT IMPACT

YouthBuild's PSE Initiative has preliminary evidence for High School Graduation/GED Attainment, as well as for College Enrollment. Future data is expected for college credit accumulation and Living Wage Employment. We have reviewed two evaluations to establish evidence levels for High School Graduation/GED Attainment and for College Enrollment. The PSE Initiative also aims to drive postsecondary success, thus contributing to College Credit Accumulation and eventually to Living Wage Employment. For these last two measurable outcomes, however, no evidence is available considering that the program has only been in existence for two years.

The organization is highly data driven. It collects a large number of data at an individual and national level, on a quarterly basis and has good data collection systems. It also trains its staff and affiliates on using data systems and states that it has an **"evidence-based learning and data-driven culture"** where it uses the individual site data to compare performance across sites and to hold sites accountable to program performance measures. In this next phase, YouthBuild is planning to go deeper with its data management by going beyond accountability and moving towards applying data for driving continuous programmatic improvements.

While YouthBuild’s revenue has not grown consistently over the past two years due to the economic downturn, the PSE Initiative, which started two years ago, has grown significantly to seven sites through funding from the Bill & Melinda Gates Foundation. The organization has an existing network of 273 domestic YouthBuild programs and access to extensive government funding streams (68 percent of revenues). There appears to be significant interest among YouthBuild’s existing sites – 40 sites applied to be considered for the Initiative’s initial Gates funded pilots – and YouthBuild’s partnership with AmeriCorps strengthens its access to financial resources while the organization’s investment in the development of online tools and programs enables an efficient roll-out. These factors solidify our belief in the scalability of the PSE Initiative.

A potential barrier to scale for the PSE Initiative is its capacity to collect more detailed data across such a diverse set of sites. Each YouthBuild site operates differently. While some are traditional sites that offer GED prep classes, others are certified charter schools. As the organization grows it will have to ensure site level innovation and collect standardized data to further its program insights and level of evidence. We are confident in the organization’s ability to do so with success, especially in light of the existence of a strong ‘bottoms up’ responsibility across youth councils, local affiliates, and the national office. **We believe there are considerable opportunities for the Pathways Fund to support this process and to help build the Initiative’s capacity at the national level.**

PATHWAYS FIT & VALUE ADD

YouthBuild’s growth strategy is highly aligned with Pathways priorities. The PSE Initiative is focused on extending YouthBuild’s core services beyond its existing program by supporting its current YouthBuild students to further their education at post-secondary institutions. Implementation of this program requires local YouthBuild sites to partner with post-secondary institutions to drive accountability and align the goals of the organization through the curriculum. With this programmatic structure, the program has the **potential to demonstrate evidence across multiple outcomes.**

The organization has also highlighted the **growing importance of the role that the PSE Initiative will have in YouthBuild’s overall identity** and how including a post-secondary component will enhance its core programmatic services. As YouthBuild begins to incorporate the PSE Initiative into its core program and expands the Initiative across all of its network sites, the shift will not only require additional staff resources, but also a huge cultural shift. This is an opportunity for **YouthBuild and the Pathways team to partner together and successfully maneuver through this change management process,** which will be a pivotal milestone in YouthBuild’s history.

The organization’s commitment to collaboration within the context of the Pathways Fund is moderate and the team is keen to explore further opportunities for collaboration with organizations like Single Stop, iMentor and Year Up. An example of this collaboration is the mentoring program that YouthBuild has recently developed and the opportunity for iMentor and YouthBuild to collaborate and partner with each other. In addition, the Pathways Fund’s ability to provide strategic support as it relates to capacity building, and rolling out change management Initiatives related to driving structural and cultural change can be of value.

YouthBuild’s PSE Initiative will receive \$1,100,000 from the Pathways Fund, which it will use to support seven additional PSE sites (i.e., and existing YouthBuild sites). In these locations, YouthBuild will serve an incremental **478 beneficiaries.**

SYSTEMIC IMPACT

YouthBuild is highly engaged in driving policy change and is making substantial investments towards realizing broader systems impact. The organization has assigned distinct policy areas to each of its senior management team and mandates its executives to manage a policy agenda. It employs a dedicated Senior Vice President who is solely focused on policy, government affairs, and advocacy.

YouthBuild is highly invested in creating a platform of young leaders through its local youth policy councils, the National Alumni Council, the Young Leaders Council, and the 1,000 Leaders Network. Within the PSE Initiative young leaders are involved through its PSE Student Advisory Council.

The PSE Initiative specifically has strong ties with the Department of Labor (DoL). DoL funds more than 200 of its current 273 sites, and the team has worked with the department on trying to integrate post-secondary elements into its (DoL

funded) sites effectively. YouthBuild hopes to raise awareness around the impact of post secondary education on the labor force and create a platform for post-secondary education through its partnership with the department.