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EXECUTIVE LETTERS



New beginnings

Dear friends,

In June, the RSF staff spent a sunny day together with our families at Pie Ranch, a 27-acre educational, organic farm on the coast, a few hours south of San Francisco. Pie Ranch is a longtime ally to RSF, both as a grantee and a thought leader in the movement for healthful local food systems. There, we picked strawberries and rhubarb, baked pies from scratch, planted squash, weeded the fields, and enjoyed connecting with the land and each other.

The field trip brought back many cherished memories as I've made several visits to the farm in my 13 years at RSF. Much has changed since my first day on the job. But even as our organization innovated and grew, the core of its work remained constant: fostering collaboration and authentic relationships through values-aligned financial transactions. Today, I am proud to share that our core offerings are flourishing—there is unprecedented demand for our values-aligned loan capital and significant growth in support for our investing and giving options.

With leadership from our Board of Trustees, we are now preparing for Don Shaffer's transition from president & CEO to RSF alumnus. His decade-long tenure has left our organization with the lasting legacy of being a place where direct, transparent, and personal relationships are formed, and integrated sources of capital are found.

On behalf of everyone at RSF, I share my deep gratitude to Don for his service and to you, our community of investors, donors, and entrepreneurs, for the trust you've bestowed upon us. As this chapter closes, rest assured that the pages of a lively new one are starting to be written.

Katrina Steffek
Chief Operating Officer

Thank you, Katrina, and everyone who makes RSF what it is!

I have heard from many of you since we announced my leadership transition in late April. I have been energized by the incredible support you've expressed for RSF and am honored to have led such a unique organization.

RSF is in excellent hands going forward. In addition to Katrina, we have four more outstanding members of our Executive team: Susie Lee, Chief Investment Officer; Chris Cook, Chief Financial Officer; John Bloom, Vice President of Organizational Culture; and Deb Nelson, Vice President of Client & Community Engagement.

Once more, I need to single out Katrina, who has done a phenomenal job for many years listening—in an extraordinarily nuanced way—to the voices of her colleagues at RSF. She harmoniously balances between them and, in many ways, leads our day-to-day activities. Also shining at this pivotal time is our Board, which is guiding the search for a new president & CEO.

I will continue to serve in my current role through the end of this year when I begin a new venture. We will circulate a formal profile and job description in the coming weeks. We encourage you to think about the talented people you know and invite you to tell us about them. From experience, I can say that this role is one of the best leadership positions out there.

All the best,

Don Shaffer,
President & CEO



Teiara and Chef Doran of The Bread Project. Photo by Bradley Afroilan



INSIGHTS



By Reed Mayfield
Manager, Social
Enterprise Lending

Retooling

**A wrap-around
approach is key
in workforce
development**

Listen to a news report about the U.S. unemployment rate, 4.7 percent currently, and you may assume that anyone who wants a job can get one. Think again. For millions of Americans, hearing the effusive “you’re hired” remains elusive. And while the end goal for these job-seekers is the same, the barriers behind their difficulties vary from disability to past incarceration to lack of access to education or experience. Hundreds of workforce development organizations have been created to address this issue, but not all are created equal.

Workforce development seamlessly fits with our mission of values-aligned investment, as it involves the introduction of various forms of capital in support of a social benefit. But, for a program to be transformational—and thus a fit for RSF funding—it must provide more than just occupational training. We seek organizations following a “wrap-around” approach—that is,

those that emphasize transferable skills, vocational pride, improved quality of life, and social-emotional competence. We strive to support those tenacious groups that focus their efforts on populations with the highest barriers—like the Bread Project, whose culinary trainees are acutely dependent (70%) on government assistance. And we pursue relationships with organizations that think holistically about the ecological as well as the social impact of their operations. For an example, look no further than RecycleForce, which has recycled over 60 million pounds of e-waste while helping 1,500 plus ex-offenders return home with six months of transitional employment bolstered by foundational skills building.

In short, a wrap-around approach is key. It improves the likelihood of continued employment and shows dedication in the job seeker’s future. It’s a level of deep engagement we endeavor to back. 🤝



PERSPECTIVE



Office supplies & independent lives

Armando Bernasconi is CEO at Quality Connections, an RSF borrower that helps individuals with disabilities become independent, productive community members via employment, job training, and practical life learning.

Interviewed by Enrique Perez | Marketing Manager

Enrique: Who or what sparked your passion for addressing employment barriers in the disabled community?

Armando: My mom and dad had been social workers all their lives, and they instilled that sense of community in me. The Golden Rule was our way of life. Both were active community members earning national recognitions and fighting for the rights of the disadvantaged (see U.S. Supreme Court *Bernasconi v Tempe Schools*). That's what took me into the path of social work, which I hadn't thought of actively in my teens.

How would one of your clients define independence?

Independence is about more than just one's sense of work. It deals with all the life stages: living, learning, and working.

I want to learn about the genesis of Quality Connections. You founded the organization with your wife, Melissa, correct?

Yes. Both Melissa and I provided vocational rehab services at Goodwill for several years, up until 1999. That's when the Goodwill we were at started changing in leadership and direction to one we didn't necessarily agree with.

Having been in the business, we thought we could do it better.

It all started at the dining room table in the house that Melissa and I had recently purchased. The state was referring people to us for help with finding jobs, and we worked with them on resumes and interview skills and even knocked on doors in search of employment. Looking back, it was a weird set of events that somehow progressed into the next opportunity.

Speaking of the next opportunity, how did QCoffice come about?

Out of the blue, one day, we received a fax geared toward nonprofits that said, "Collect toner cartridges, sell them through us; we refurbish them, sell them to you wholesale, and then you go



Tonnya J. manages customer relations. She is blind.

sell them to businesses." At the time, we were researching social enterprise ideas. We had the employment services part down but sought a model similar to Goodwill's: you get donated goods, refurbish them, and sell them. Toner cartridges made sense. It's not fancy, but everybody needs them.

We connected with an organization that had an identical program back east, called CarePlus New Jersey. The operations manager there, John Maisto, became our mentor. We wrote a business plan and applied for an establishment grant from the state of Arizona. We were awarded \$750,000 for four years.

The grant helped us purchase supplies, pay rent, and create a website. It also funded half a dozen positions for four years. That was the start of QCtoner. Our sales started at zero and slowly grew to

“
Our philosophy here at Quality Connections is that everybody can learn and everybody has the potential to work.”

\$25,000 a month. After we had got to a service size, our customers began telling us “we love working with you, but can you sell us more than toner?” So, around 2006, we started researching office supplies.

It was a logical step to supply businesses with more of their office needs. But it was also logical in the sense that businesses are more than just customers; they’re also potential employers. We want businesses to hire our clients. By amassing a long list of business customers, we gain an inside connection. When they’re hiring, they look to us—assuming we have someone qualified for their position.

People with disabilities are disproportionately affected by employment barriers. There are lots of statistics on the matter, but I’d like to provide readers with a personal account of the challenges you’ve seen.

Sure, and for that, I turn to Ben Sutcliffe. Ben was like a brother, and we worked together for over ten years. I worked as Ben’s live-in attendant, seeing to all his personal care needs, including feeding, toileting, and bathing while he attended college. (Sadly, Ben passed away four years ago on June 12th.) Ben had athetoid cerebral palsy, and while he communicated with me using his facial features, for him to communicate with anyone else, he would have to type out what he wanted to say letter for letter. It was a painfully grueling process for him just to say “hello” because it required Ben to control his computer with a chin switch.

After several years in school, Ben began having health problems that prevented him from earning a college degree. We had numerous conversations about what he could do, being so physically limited but having a brain. For years, we brainstormed and came up with nothing.

QCoffice was the beginning of Ben’s vocational journey. We carved out a job for him to upload product items onto our website. That’s the closest we could get to him being productive. Now, he wasn’t all that effective. There were many errors, and it took him about three hours to upload a product—terribly inefficient. But that’s the best that



QCoffice delivery crew on assignment.

we could do for Ben at the time.

Ben’s story is our best example of someone with severe barriers who became employed successfully. Our goal was to help Ben find a job, be productive, and earn a paycheck.

How do other clients or employees with disabilities fair?

Over 90% of the people who we employ in QCoffice are disabled. They all have minimum wage or better jobs in everything from janitorial and delivery to toner remanufacturing and management.

The beauty of QCoffice is that it can employ people with a wide range of abilities and disabilities. And a good example of that can be seen in our delivery crew. We have two clients who are cognitively impaired and considerably lower functioning. One carries products from the delivery van to the customer’s office and says “good morning,” while the other carries the invoice, asks for signatures, and

says “thank you.”

Those lower functioning jobs are available within the department as well as much higher functioning ones that require higher level skills like processing orders in a complex back-end computer program and account management.

What was your experience finding financing for Quality Connections?

When we established the agency, we used our own money. Then, things got a bit bigger and more complex. We spent months visiting or calling two dozen banks; all of them said “No.” We moved through the next 15 years with the understanding that, whatever endeavor we pursue, we weren’t going to be able to finance it.

Then, I met Reed from RSF. Around this time, we started to grow at a pace at which we weren’t able to [operate on] cash flow. He interviewed me for—what felt like—hours. It was a pleasant experience, though, to talk to someone who was as interested in the mission as in our ability to pay back the loan. 🇺🇸



KEEP LEARNING

about Quality Connections at

qualityconnections.org


IMPACT


Re-energizing the Bronx

BlocPower Offers Energy Retrofits to Communities That Need Them Most

By Melinda Cheel | Marketing Director

For years, Pastor Leo Curry of Fordham United Methodist Church in the Bronx worried about the cost of heating his church and social hall with two outdated boilers. It was so bad that the monthly bills sometimes soared above \$12,000.

“It was almost to the point of bankrupting us,” says Curry. He needed to lower his energy bills—plus he wanted to reduce the church’s impact on climate change. Then, in 2014, he met the owners of BlocPower, an organization that develops and finances energy efficiency projects in low- to moderate-income communities. It was like an answered prayer.

The New York-based startup reviewed the church’s finances and conducted an energy audit. It advised a switch from oil to natural gas heaters and recommended zone heating so the church can heat rooms only when they are in use. So far, contractors have retrofitted the social hall, and the church is in progress. When the project is complete, Curry expects to see a 30 percent cut in utility costs.

Fordham United Methodist Church is just one of many clients that BlocPower has helped. Last year alone, the company conducted 384 energy audits, completed 48 projects, and reduced carbon

dioxide emissions by 403 tons—roughly equal to taking 88 cars off the road.

“BlocPower is meeting a need that’s been overlooked,” says Stu Fram, senior associate of RSF’s Social Enterprise Lending. “They’re bringing energy efficiency and renewable energy to urban communities that don’t otherwise have access.”

From oven heating to overseeing projects

BlocPower is the brainchild of Donnel Baird, who spent his early childhood in Brooklyn’s Bedford-Stuyvesant neighborhood, in an apartment his Guyanese parents

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Pastor Leo Curry of Fordham United Methodist Church.

heated with their oven. While working as a community organizer for the New York City mayor’s office and Barack Obama’s campaigns, Baird saw that many of the country’s least energy-efficient buildings were clustered in low-income neighborhoods.

Baird wanted to change that. When he was a graduate student at Columbia University’s business school, he met Morris Cox, also an immigrant’s son, and the two became passionate about starting a company.

During a business school trip to South Africa, Baird learned that the U.S. Department of Energy was offering a \$2 million contract to a business that could develop a technology platform connecting investors with small retrofit

projects. He applied and won the contract. In 2013 Baird and Cox founded BlocPower, just months after they graduated.

Bundling projects in Asthma Alley

Baird was passionate about addressing the issue of how pollution and climate change disproportionately affect people of color. The South Bronx, for example, is known as “Asthma Alley” because it has one of the highest asthma rates in the country. One cause is indoor air pollution created by buildings with poor air flow and dirty, out-of-date heating and electrical systems. Yet faith centers, small businesses, and apartment buildings rarely qualify for energy retrofit loans because the projects are too small.

BlocPower’s solution is to bundle projects in a bloc and find investors willing to provide capital for the larger sum. Though other organizations are doing similar work, BlocPower is unique in its focus on financially underserved urban communities. Its innovative technology monitors energy usage. And it is a benefit corporation, which means its social purpose is embedded in its corporate charter.

BlocPower has grown three- to fourfold every year since launching. It is now working on more than 150 retrofits and has established the Bronx Healthy Building Fund with a coalition of public and private partners. The coalition is raising \$10 million for investments in clean energy retrofits in multifamily buildings with the goals of improving the health of building residents, lowering energy bills, and providing jobs in the community.



Bronx Housing Construction

Bridging capital & values

Despite BlocPower’s rapid growth trajectory, finding investors for its projects isn’t easy. “It’s tough finding people who understand we’re interested in making a broad societal impact rather than making as much money as we can,” says Cox, BlocPower’s chief investment officer. It is now working with five to ten investors.

Last year, Baird and Cox worried they might have to cut their staff in half if they couldn’t bridge a persistent cash flow problem. The issue: Much of BlocPower’s income derives from government contracts, and it can take three to six months for the money to arrive. But the business can’t wait to pay its employees or project contractors. “We had accounts receivable that were so large they were threatening to wipe us out,” says Cox.

BlocPower approached several lenders for help, but they were wary of using government contracts as collateral. Then the company came to RSF. Both Baird and Cox were enthused by RSF’s willingness to look at the whole picture.

“RSF was willing to dive deeper and find the real story behind the numbers,” says Cox. “Once they dove in, they saw what any other lender would see if they took the time. We have a good business. We have good contracts.”

Last August, RSF issued the company a \$750,000 line of credit, which benefited both parties. “BlocPower was able to get capital from a source of debt that’s values aligned,” says RSF’s Fram. “And we’re able to make an impact in energy efficiency and renewable energy, which are exploding right now.”

Saving money, reducing carbon emissions

The loan meant BlocPower could stay in business, says Cox. It has also been able to expand into other American cities, including Chicago and Philadelphia, and will soon enter sub-Saharan Africa. BlocPower plans to double in size over the next several years and is currently trying to raise \$15 million in private sector funds.

For BlocPower clients such as Pastor Curry, what matters most is how this ambitious startup has helped him address climate change while saving on his energy bills. “Once we finish our conversion to gas and don’t have to spend so much money on utilities,” he says, “we’ll have greater resources to spend on after-school and youth programs. We can be a more viable presence in our community.”



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Denver, CO
slowfoodnations.org

West Coast Collaborative Puppetry and Storytelling Arts Conference

7/27 until 7/31/17
Olympia, WA
ripples.us/puppetry-conference

Soil Not Oil

9/8 until 9/9/17
Richmond, CA
soilnotoilcoalition.org

Social Enterprise Alliance Summit

9/18 until 9/20/17
Los Angeles, CA
summit17.us

PASA's 3rd Annual Soil Health Conference

9/28/17
Loysville, PA
pasafarming.org



WHAT'S AHEAD

The next *RSF Quarterly* will be published in October 2017. We like hearing from you! Send any comments on this issue or ideas for the next to enrique.perez@rsfsocialfinance.org.

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