



DATE: May 1, 2020
TO: The Lord's Place – Board of Directors
FROM: Bob Katzen, Board Treasurer
SUBJECT: Fiscal Year 2020 – 2021 Operating Budget

During this unprecedented time of health and financial crisis, it is important to acknowledge the human side first. I hope you and your family are healthy and safe. Fortunately, as Diana Stanley has been reporting to the Board, The Lord's Place staff, campuses and clients are healthy. Diana, her Leadership Team and staff have excelled in supporting our community. Special thanks to Mona Duffus and the Program Team and Toby Douthwright and the Operation/Facilities/IT teams. Once again, they make us all look good.

Financially and operationally we have been dealing with growing pains. The current year budget recognized the goals set for Social Enterprise were aggressive. Prior to COVID-19 we were dealing with many issues while ramping up under the expansion plan. Like the vast majority of non-essential small businesses, our thrift store and catering entities have been closed and crushed. We have learned valuable lessons for these businesses that will be implemented when we reopen, we have no idea when and what a reopening will look like.

How did we stay financially healthy? Anne Noble and the Advancement Team have done a terrific job and exceeded their goals. Gerald Cody and the Finance Team worked closely with our bank, First Citizens, to secure a SBA loan of \$1,273,000 under the Triple P Forgiveness Loan Program. As Diana says these are "God moments".

While I love and appreciate these moments, we cannot budget them. So, how do we plan to move forward? Very carefully, with a deeper evaluation of what our world looks like after shelter-in-place is removed and the bench marks we will use to ensure success for all of the moving parts that are The Lord's Place.

Please find attached the proposed Operating Budget, for fiscal year 2020-2021, submitted for your review and approval. The Finance Committee has reviewed and approved this budget at a meeting that took place on May 06, 2020. In the packet you will see two reports. The first is the final budget that will be available for donors, prospective donors, or other interested parties. The second provides detailed budget-to-actuals for the past 12 months, which is exclusively available to the Board and Board Committees.

As a Board Member, it is your fiduciary responsibility to review and approve the budget, and we want you to be informed as possible to assist you in that responsibility. Should you have any questions, comments, and/or concerns regarding the budget or the budget process, you are encouraged to contact me, Diana Stanley, or Gerald Cody.

The budget, per our By-laws, will be presented for approval at the Annual Board Meeting scheduled for May 13, 2020. It is important that all Board Members review and approve the budget. If you are not planning to attend the meeting, please plan to make arrangements to cast your vote through a Board Proxy, in advance of the meeting.

EXECUTIVE SUMMARY

The Lord's Place experienced continued rapid growth in last year's budget, increasing approximately 21% from the previous fiscal year. This budget focuses on the evaluation of that growth. We were able to identify areas that may need adjustment due to this rapid growth, and other areas that we believe can handle additional growth. This letter will highlight various areas that have been impacted by this evaluation.

The proposed budget sets forth, with the information currently available to us, a reflection of known and unknown operating revenues and expenses. Because of this, we are planning to submit to the Board an amended budget in the Fall of 2020 that will reflect the trends of Covid-19. The budget is presented with revenues to be recognized or received in the fiscal year netted against the relative expenses for the same period. This fiscal year will be extremely difficult to navigate as the short-term and long-term impacts of the Corona Virus are better understood. With that said, as in previous years, the budget is presented with Depreciation Expenses contained within the expenses and does not include expenses for Capital Items.

Consequently, the overall deficiency of Revenues over Expenses results in a deficit of \$194,723. After factoring in Non-Operating items, accounting for the Depreciation Expense, and anticipated costs for Capital Expenditures, the revised Revenue over Expenses results in a Zero Balance Budget for the Fiscal Year 2020-2021.

The budget contains various pending grant renewals that will be confirmed in the fall. At the time this budget was developed, we are strongly optimistic the pending grants will be renewed. Additionally in the fall, the Finance Committee and staff will review the pending revenues for confirmations and for increase or decreases in the projections.

The following are some highlights and detail for reference, comparing the 2020-2021 Operating Budget to the actual Revenues and Expenses for the past 12 months (March 2019 through February 2020) as well as references in comparison to the previous fiscal year budget.

REVENUES

The Revenues consist of (7) general areas. The areas are: Grants & Contract Income, Restricted Grants/Contributions, Contributions, Program Income, Special Events, Social Enterprise, In-

Kind, and Other Income. Revenues are projected to increase by approximately 2% over the previous year's budget. Below we will review the specifics of those changes.

Grants & Contract Income is budgeted at \$3,963,998. This total is comprised of confirmed and pending grants. As with previous years, the majority of Grants and Contracts are expected to be renewed and we can with a reasonable degree of confidence expect to meet this budgeted goal. One of the new Grants increasing this line item is the full implementation of the Second Chance Act Grant in the amount of \$263,859.

As with Grants & Contract Income, we are fairly confident we can meet this revenue expectation for Restricted Grants/Contributions. This line item has very little deviation from the previous fiscal year with only a de minimis 1% decrease.

In the previous fiscal year, Contributions were reduced based on the expectation of Social Enterprise Revenues netting a profit. Under the current conditions and upon evaluation, we cannot rely on that income. The 2020-2021 fiscal year budget is relatively similar to the previous fiscal year; therefore, revenues expectations for the agency for the most part are unchanged. This has required a shift of revenues from Social Enterprise to Contributions. This budgeted goal is an aggressive expectation. The Lord's Place Executive Team will be following this line item closely, making staffing changes, or other strategic moves to ensure the expenses do not exceed the revenues generated from this line item.

Program Income does not expect to have any significant changes from current actuals. The current inventory is not expected to change; however, rent income has areas that can be improved upon. Review of vacancies and rent delinquencies can potentially help improve this line item.

Special Events have increased their revenue goals by 6% in comparison to last year's fiscal budget. This is primarily due to the addition of two events that were not part of the last year's budget. The two additional events are: Repelling to End Homelessness, and the Palm Beach Event.

Under the previous fiscal year budget, Social Enterprise was expected to grow and produce a profit. Upon further evaluation, and due to the uncertainties and impacts of the Corona Virus, these expectations needed to be tempered. The current budget reflects a reduction in expectations by \$656,854 compared to the previous year budget. The new goal of Social Enterprise is to be self-maintained, and thus matching revenues to expenses equally. This will be a significant improvement to the agency, as previous years have not achieved this result. The current budgeted amount of \$2,452,396, although reduced, is still an aggressive goal under the current and unforeseen conditions. The Social Enterprise Team and Finance Committee will be extremely focused on the performance in the first quarter of the fiscal year. Decisions will be made swiftly, but strategically, to ensure Social Enterprise can maintain this new concept.

In-Kind Revenues directly offset In-Kind Expenses, therefore, these line items make no impact to the profit and loss bottom line; however, they are great indications of the community's support of an Agency. The Lord's Place excels in this line item.

Other income has conservatively been increased to \$65,000. Even under the current uncertain market conditions we can expect to net over \$100,000 in revenues for the 2019-2020 fiscal year. However, with the projected use of current Capital Funds decreasing our principle, we reduced expectations to a more realistic budgeted amount.

EXPENSES

Overall expenses contain (10) summarized areas. The Lord's Place expenses have increased approximately 2% in comparison to last year's fiscal budget. Below we will review the details of each summarized area.

Salaries & Related Costs continues to be the largest expense for The Lord's Place. On the 2020-2021 fiscal year budget this line item accounts for \$7,291,255 of the total agency expenses or approximately 58%. The current budget is designed with no salary increases and/or bonuses. However, if The Lord's Place receives a windfall donation or other increased revenues in excess of the budgeted revenues this option may be revisited. Along with the staff, Diana has insisted her bonus be excluded from the budget as well. Additionally, there is a projected 4% decrease in healthcare compared to last fiscal year's budget; however, this is an 8% increase in comparison to Fiscal Year 2019-2020 projected actuals. Also, the salary line item contains a lapse factor of 5% to account for turnover in positions.

In regard to staff counts, The Lord's Place has reduced (4) social enterprise positions, and has increased (4) positions, consisting of (3) Clean Team Associates and (1) Second Chance Act Case Manager. The additional positions are 100% funded by grants. All other previous positions have been maintained.

Increases in Occupancy are primarily due to the rent increases at the two new facilities (thrift store Lake Park and the previous Military Thrift Store, now set to be used for the Capital relocation) with decreases in Repairs and Maintenance – Building, due to the demolition of the Australian Office and previous renovations to the newly acquired facilities completed.

Transportation expenses are expected to remain flat in comparison to the current year's actuals. Various minimal fluctuations take place between the gas, insurance and mileage reimbursement, offset by decreases in repairs and maintenance.

The start of the full implementation of the Second Chance Act Federal Grant is the largest factor increasing Client Services. Although this makes up approximately 44% of the increase in this line item compared to last fiscal year's budget, the expense is 100% funded by the grant revenue. Other areas that offset the increase in this line item are: Transitional Housing decreases due to budgeting based on what is currently funded versus actual expenses, Emergency Lodging due to a decrease in funding when the ownership was transferred to The City of West Palm Beach, from CDBG and DDA funding, and Client Furnishings that were provided to clients in the 2019-2020 fiscal year.

Advancement Costs have increased primarily due to an increase in Facility Rentals. The previous fiscal year budgeted expenses did not include the two events; Over the Edge and The Palm Beach Event. This expense has always been covered by Special Events Revenues in excess of the costs.

Professional Fees are strongly impacted by the financial audit. The previous fiscal year contained additional costs due to the added Parking Lot Tax (which has been repealed for future returns). This line item will remain higher than last years budgeted number due to the likelihood of a Retirement Plan Audit. This is in addition to our traditional audit costs.

Loan and Mortgage decreases are related to progress on loan payments, applying more of the payment to principle rather than interest.

The Depreciation Expense has increased due to the Capital inventory of properties and equipment increasing.

In-Kind expenses, although similar to the Depreciation Expenses in the impact on cash flows, do give funders an indication of the community's commitment to The Lord's Place. This line item is conservatively budgeted at an increase of 13% over last fiscal year's budget; however, we expect to exceed even these expectations based on current community involvement.

Other Operating Costs has decreased approximately 11% from the previous fiscal year. This line captures many Social Enterprise expenses, as well as, Advertising, Dues & Subscriptions, Out-of-Area Travel, Office Supplies, Postage, Computer Expenditures, etc. Significant decreases were made to Meetings and Out-of-Area Travel, reducing this line item by more than \$40,000. Computer Expenditures were also reduced approximately by \$30,000 due to new computers and accessories being purchased in the 2019-2020 fiscal year, reducing the burden on the 2020-2021 Fiscal Year Budget.

This concludes the review of the Fiscal Year 2020-2021 Budget.

Again, if you have any questions or would like to discuss the budget in further detail before the scheduled Board meeting, please feel free to contact me, Diana Stanley, or Gerald Cody.

I look forward to seeing you at the May 13th meeting. Please stay safe and well.

Sincerely,

Bob Katzen
The Lord's Place
Board Treasurer