

THE LORD'S PLACE

*Breaking the Cycle
of Homelessness*

DATE: May 3, 2021

TO: The Lord's Place – Board of Directors

FROM: Bob Katzen, Board Treasurer

SUBJECT: Fiscal Year 2021 – 2022 Operating Budget

Has it only been twelve months since my last Operating Budget letter? It feels like it was years ago in another life. I know I speak for Diana, her staff, and many of you when I say this has been an extended period of high stress, unlike anything we have experienced. The outcome of the pandemic was the need for change.

So, where are we now? While some staff has left TLP for various reasons, many more have stepped up and excelled. Special thanks to Jan Philips and Laura Allianic in HR; Christina Lucier, Calvin Phillips, and Val Stanley in Programs; Ray Morse in Grants; and of course, Anne Noble and her Advancement Team. As you know, Meredith Fontenot has been doing double duty the past six months in Advancement and Thrift Store operations. And before he left TLP, Gerald Cody worked with First Citizens Bank to have our Federal Triple P loan of \$1,273,000 forgiven. With the Finance Department experiencing the stress of COVID-19 and change in senior positions, Debbie Breen and the staff performed at an outstanding level under the circumstances. We salute all staff that has continued to provide services to our clients during these difficult months. They are the true heroes in our daily life.

Of course, none of these performances would have been possible without the tireless and omnipresent leadership of Diana Stanley, our fearless CEO.

Financially and operationally, we continue to deal with growing pains. The current year budget recognized the goals set for Social Enterprise were aggressive. Before COVID-19, we were dealing with many issues while ramping up under the expansion plan. Like most non-essential small businesses, our thrift store and catering entities were closed and crushed. Catering is only now beginning to reopen, though we see positive signs with new food service contracts and a food truck sponsored by our friends at GL Homes. The Thrift Stores reopening and existing obstacles have been well documented to both the Finance Committee and the Board, so I will not repeat them. We have learned valuable lessons for these businesses and believe we are on a good path forward.

I have attached the proposed Operating Budget for the fiscal year 2021-2022, submitted for your review and approval. The Finance Committee has reviewed and approved this budget at a meeting on April 28, 2021. In the packet, you will see two reports. The first is the final budget 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. We want you to be as 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 Debbie Breen.

The budget, per our By-laws, will be presented for approval at the Annual Board Meeting scheduled for May 12, 2021. All Board Members must 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

Due to COVID-19, The Lord's Place is currently under budget for both revenue and expenses. This new budget reflects TLP adjusting to the "new normal." While the budget is increasing approximately 20% from the current fiscal year actuals, in reality, we are just getting back to where we expected to be without the pandemic. You will see under the Revenue discussion that we may need the Board to approve releasing up to \$440,000 in Unrestricted Funds (further discussed below in the Revenue section). This is by no means a certainty, but is included to balance our budget. Diana and her Executive Leadership Team are committed to ending the next fiscal year without needing this additional funding. There are several ways to accomplish this, so it is essential to let the year play out.

The proposed budget sets forth, with the information currently available to us, reflecting known and unknown operating revenues and expenses. We are planning to submit to the Board an amended budget in the Fall of 2021. The new budget will reflect the trends of COVID-19 and construction, if necessary. 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 continues to be extremely difficult to navigate as both the short-term and long-term impacts of COVID-19 need to be better understood, as well as the capital construction impact to the organization. As in previous years, the budget is presented with depreciation expenses contained within the expenses and does not include expenditures for capital items.

Consequently, the overall deficiency of Revenues over Expenses results in a deficit of \$178,488. After factoring in non-operating items, accounting for the depreciation expense, and anticipated costs for capital expenditures not associated with construction, the revised Revenue over Expenses results in a Zero Balance Budget for the Fiscal Year 2021-2022.

The budget contains various pending grant renewals that will be confirmed in the fall. We are optimistic that the pending grants will be renewed. Additionally, in the fall, the Finance Committee and staff will review the pending revenues for confirmations and increase or decrease the projections.

The following are some highlights and detail for reference, comparing the 2021-2022 Operating budget to the actual Revenues and Expenses for the past 12 months (March 2020 through February 2021) and references in comparison to the previous fiscal year budget.

REVENUES

The Revenues consist of 9 general areas. The areas are Grants & Contract Income, Restricted Grants/Contributions, Contributions, Program Income, Special Events, Social Enterprise, possible use of Unrestricted Funds, In-Kind, and Other Income. Revenues are projected to decrease by approximately 1.5% from the previous year's budget. Below we will review the specifics of those changes.

Grants & Contract Income is budgeted at \$5,995,736. 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 CARES Act ESG Outreach and Rapid Rehousing contract, which will be increased to \$2.0 million from \$1.2 million (only partially implemented in FY 21).

As with Grants & Contract Income, we are relatively confident we can meet this revenue expectation for Restricted Grants/Contributions. This line item has decreased by 130% because the previous fiscal period has recorded donor-restricted funds of \$1.6 million in capital campaign pledges, Quantum grant, DeLuca Foundation grant, and COVID-19 funds.

Contributions increased from the prior year due to increases for non-construction-related capital expenses and merit increases. The 2021-2022 fiscal year budget is relatively similar to the previous fiscal year; therefore, revenue expectations for the agency are mostly unchanged. The Lord's Place Executive Team will follow this line item closely, make 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 decreased their revenue goals by 32% in comparison to last year's fiscal budget. This is primarily due to conservative estimates for SleepOut and Ending Homelessness Breakfast. There is no event for the Repelling to End Homelessness in the budget.

Under the previous fiscal year budget, Social Enterprises was expected to grow and produce a profit. Due to the uncertainties and impacts of the COVID-19, these expectations have been revised. The current budget reflects an increase in expectations by \$759,079 compared to the previous year actual. Catering services are expected to increase in the budget year slowly as businesses continue to grow post-pandemic. The Thrift Stores are expected to increase revenues as well during the budget year. The current budgeted amount of \$1,629,136 is still an aggressive goal under the current and unforeseen conditions but is deemed to be achievable. The Social Enterprise Team and Finance Committee will be extremely focused on the performance in the first quarter of the fiscal year. Ongoing monthly review of financial performance will be conducted so changes can be made quickly.

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 is budgeted to be \$10,000, net of investment costs. This is a conservative estimate regarding earnings in the budget year.

In the event we need the Board to approve the investment of up to \$440,000 of Unrestricted Funds, the majority of these funds would be used as follows: \$109,000 to add key personnel in both Advancement and Finance needed to build capacity; \$105,000 to support Social Enterprises (this represents less than 10% of the Social Enterprises budget); and \$65,000 to increase staff salaries to \$15/hour. Again, Diana and her Executive Leadership Team have set a goal to fund these investments in other ways.

EXPENSES

Overall expenses contain (10) summarized areas. The Lord's Place expenses have increased approximately 16% 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 2021-2022 fiscal year budget this line item accounts for \$7,903,615 of the total agency expenses or approximately 57%. The current budget includes a 3% salary increase, approximately \$64,000 for hourly wage increases to a living wage, and does not include a bonus. However, if The Lord's Place receives a windfall donation or other increased revenues in excess of the budgeted revenues, paying a bonus maybe be considered. Additionally, there is a projected 5% increase in healthcare. No salary lapse factor was included in the budget.

In regard to staff counts, The Lord's Place has increased staffing because of new CARES Act ESG contracts to approximately 16 positions and 2.7 FTEs in advancement and finance. The additional ESG positions are 100% funded by grants.

Decreases in Occupancy are primarily due to eliminating security services and building repairs for the Australian campus while construction is taking place. The internet contract for the agency was also replaced resulting in overall savings for the agency. Minor increases occurred in rent and utilities for inflation.

Transportation expenses are expected to increase by 17% as the staff return to the workplace and meet with clients and additional bus passes are provided to the clients.

The increase in client costs is mainly due to the CARES Act ESG contract, including rental and utility assistance and emergency shelter. Other areas increased are food for catering, contract services-purchased services for the SCA contract, stipends for clients and HUD rent. Areas that offset the increase in this line item are furnishing decreases due to budgeting based on funded versus actual expenses, transitional housing, emergency lodging and assistance with moving included in the client's rents line item.

Advancement costs have increased primarily due to an increase in Facility Rentals. Special events in the previous year were virtual. Next year, the events are planned to be in person.

Professional fees overall are decreasing 18.5% due to two issues: 1. Legal fees incurred for a case that is not expected to be repeated and 2. Consulting fees incurred for COVID-19 guidance that will no longer be needed. There is a slight increase in the cost of the financial audit.

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

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

Although similar to the Depreciation Expenses in the impact on cash flows, In-Kind expenses do give funders an indication of the community's commitment to The Lord's Place. This line item is conservatively budgeted at a decrease of 47% over last fiscal year's actual; however, we expect to exceed even these expectations based on current community involvement.

Other Operating Costs has decreased approximately 20% 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 Bad Debt-Pledges. As we collect the pledges made to the organization, the number would be adjusted. Computer Expenditures were reduced by approximately \$17,000 due to new computers and accessories being purchased in the 2020-2021 fiscal year, reducing the burden on the 2021-2022 Fiscal Year Budget.

This concludes the review of the Fiscal Year 2021-2022 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 Debbie Breen.

I look forward to seeing you at the May 12th meeting. Please stay safe and well.

The Lord's Place, Inc.
OPERATING BUDGET
July 1, 2021 through June 30, 2022
REVENUE & EXPENSE SUMMARY

	2020 - 2021 BUDGET
Revenue	
Grant & Contract Income	5,995,736
Restricted Grants/Contributions	2,468,923
Contributions	2,310,800
Program Income	225,139
Special Events	775,000
Social-Enterprises Revenues	1,629,136
In-kind Services and Products	204,849
Other Income	10,000
TOTAL REVENUE	\$ 13,619,583
 Expenses	
Salaries & Related Costs	7,903,615
Occupancy Costs	1,281,516
Transportation	179,037
Client Services	3,117,422
Advancement Costs	195,525
Professional Fees	38,000
Loan/Mortgage Interest	13,500
Depreciation Expenses	419,507
In-kind Services and Products	204,849
Other Operating Cost	445,100
TOTAL EXPENSES	\$ 13,798,071
Excess (Deficiency) of Revenue Over Expenses	\$ (178,488)
 Non Operating Items	
Depreciation Expenses	419,507
Capital Expenses	(121,614)
Mortgage and Auto payments	(119,405)
Revised Excess (Deficiency) of Revenue Over Expenses	\$0