THE Haven

Giving Hope to the Homeless Since 1956

The Haven of Rest

Financial Sustainability Plan

March 2018

By Daniel Jones, Executive Director

Haven of Rest Ministries

A Light in the Darkness

Drug Dependency. Alcoholism. Homelessness. Emotional and physical hunger.

Brokenness.

Each day, thousands of people in our community struggle with these modern day demons. Fortunately, we have a place where the hopeless and despondent can seek refuge. A place where help is offered through a warm smile and a friendly hand. A place where lives are rebuilt and spirits are uplifted. A place where our neighbors find love and experience God.

Since 1956, The Haven of Rest has served Battle Creek and Southwest Michigan with a simple mission:

"To proclaim the Good News of Jesus Christ so that all may experience God's love. Clothe, feed, and shelter the homeless in the name of Christ. Disciple individuals to become spiritually, physically, and emotionally functional, and able to live optimally within God's kingdom and the community."

Charged with this mission, the leadership of The Haven works tirelessly to bring an end to homelessness in Battle Creek—one life at a time. For many in our community, the staff, volunteers and supporters of the Haven are living examples of the "light in the darkness" described in the Gospel of John.

A History of Service

Founded over 62 years ago by Don and Wilma Chalfant, The Haven of Rest has served thousands of men, women, and children. Begun as a simple homeless shelter, the Haven has evolved over the years into one of our area's largest and most critically important human services providers. Today, The Haven manages ten ministries to serve the homeless population of Battle Creek and Calhoun County. These programs include:

- **The Men's Shelter:** The Haven provides emergency food and shelter to men 18 years of age and over on a temporary basis (30 - 60 days). Guests at The Haven's Men's Shelter receive full-time case management from the Life Skills Instructor, enabling guests to work towards self-sufficiency in a short period of time. Referrals are available for clients to receive medical, psychological and legal assistance. Local churches of numerous denominations assist this ministry through providing nightly church services for those who wish to attend.

- **The Gain Access Program (GAP):** The Haven's Gain Access Program is designed to help homeless children of homeless families gain access to life skills and educational opportunities that they may not have been consistently exposed to. With these life skills, the children will be better equipped to make healthy decisions for their future. With educational assistance, these children begin to achieve academically in school, many for the first time in their lives.

- **Jail Ministry:** The purpose of the Calhoun County Jail Ministry is to provide a Christian discipleship program for the inmate population.

- **The WIN Life Program:** A women's transitional housing program that helps participants get back on their feet. The WIN Life Program is a six month to two year transitional housing program designed to identify and teach needed life skills such as goal setting, budgeting, employment and parenting, as well as to provide an atmosphere in which to practice the taught skills.

- **Inasmuch House:** Inasmuch House is the only family shelter in Calhoun County that allows homeless families - single women with children, or two parent families with children, to stay together. With room for up to 55 residents, this shelter is usually very full.

- **Adult Foster Care:** The Haven provides licensed adult foster care for 15 mentally ill men. These men are provided access to psychological counseling, assistance with medication, therapeutic recreational opportunities and dietary needs in a cheerful, spacious and caring atmosphere. Adult Foster Care provides permanent housing for these men.

- **The Men's Life Recovery Program** is a twelve month, three-stage program designed to help homeless men overcome their addictions while identifying self-defeating behaviors and maximizing their potential to live and work in the community.

- **The Veterans in Progress ("VIP") Program** is a transitional housing and life skills program that is in partnership with the Battle Creek Veterans' Administration. Residing at The Haven, vets are assisted through case management and life skills training in efforts to help them transition into permanent, stable housing.

- **The Haven's Kitchen Ministry** is its Food Service program, which carries out all the work activities necessary to collect, sort, purchase, prepare and serve approximately 70,800 meals each year to over 2,100 homeless clients of the Haven.

- **Women's Life Recovery Program** involves an intensive out-patient substance abuse treatment and education program of 3 to 6 months duration, for women, with a focus on breaking the cycle of substance abuse and homelessness.

In 2017, through these programs, The Haven provided over 47,630 bed nights of shelter to 2,122 individuals, and served over 70,800 meals. This clientele included men, women, and children, all of whom fall into the 0 to 30% of median family income ("MFI") levels—the very poorest of the poor. The services The Haven of Rest provides in Battle Creek and Calhoun County are unduplicated and unique.

Providing these programs to our community takes significant resources. Last year, The Haven operated with a budget exceeding $1.75 million and a staff of over 50 employees, 18 full time and 33 part time. Administrative costs are kept to a minimum with 85% of all operational funds going directly to programs that serve the homeless.

The generosity of our community sustains our ministry and we are continually humbled by our region's outpouring of love as they join us in "*bringing a light to the darkness*."

Rooted in the Gospel

At The Haven, every service is rooted in our basic belief in the mercy and saving grace of a loving God. God's word, and our years of experience working with the hopeless and hurting, tells us that true life change begins with a Christ-centered spiritual rebirth. As we extend basic necessities of food, shelter, and clothing to those in need, we also expose our clients to the Word and Message of the Gospel of Christ. Time and time again, we have witnessed God work remarkable miracles in the lives of those who are "lost in the darkness."

Our Challenge

Throughout its 62+ year history, The Haven has also been challenged to maximize the ministry that it can provide while minimizing the costs associated with those services. In recent years, this challenge proved overwhelming for The Haven, and with the July 2017 change in the leadership of The Haven, and with partners like the Battle Creek Community Foundation and Plante-Moran, The Haven is embarking on a new financial path of long-term financially sustainable ministry, given its resources and related costs.

This is our new challenge: To provide this ministry with mindfulness to the resources available, with an eye towards long-term financial sustainability.

Taking this new financial path means many hard choices had to be made at The Haven, sometimes at the highest levels; it is a truth that must be spoken that many more difficult choices remain to be made. We do, however, remain steadfastly rooted to our Christ-centered ministry. That is the single thing – our solid rock of foundation – that will not change.

Financial Sustainability for 2018 and beyond

The Haven has undergone a rigorous process of change during the most recent eight month period beginning in mid-2017, when leadership at The Haven was restructured and transitioned into its present roles. This process carried through to the beginning of the calendar year 2018.

During this period, accounting support from consulting firm, Plante-Moran, provided a very deep review of all past and present Haven accounts, and highlighted numerous areas for improvement that The Haven's management team analyzed and, in many cases, accepted and quickly implemented. All of these changes were oriented around driving operational efficiencies at The Haven, and turning around practices that had driven The Haven into a situation of not being able to meet its payroll obligations, or any other of its bills. In addition, all of these changes were also oriented around developing long-term financial sustainability.

In many cases, cost savings from personnel changes created efficiencies, while operational changes pushed additional monetary savings to The Haven's bottom line. Changes in policies and procedures ranging from the handling of rental receipts to the recording of donation checks were also implemented. Many of these changes resulted in better provision of The Haven's services, and most also provided better financial controls and oversight for The Haven's top management team members.

This report summarizes these changes, and also lays out a foundation for future financial sustainability for The Haven of Rest Ministries.

There are three sections of this report. They can be outlined as follows (and essentially this is a table of contents for what will follow in this report):

An executive summary is also included with this report, providing an overview of the various sections of this report.

<u>Executive Summary</u>:

The ultimate goal of The Haven of Rest is long-term financial sustainability. In the short-term, though, The Haven of Rest is in a "financial repair mode", and will likely remain in that mode for another year and a half to two and one half years (in planning terms, more or less through June of the year 2020). With guidance from Plante-Moran and other advisors, The Haven's leadership is moving swiftly and strategically to reduce costs, pay off debt, and steer the organization towards long-term financial sustainability. Targets have been established in terms of debt levels and operating cash reserve levels, and new financial systems and reporting tools are being developed.

Aggressive restructuring has already taken place at The Haven in the last eight months. Ministries have been shut down, unprofitable operations have been right-sized, and in that course, thirteen staff roles have been eliminated. Many senior management roles have seen turnover, including the Executive Director and the Controller. The Haven Board of Directors has added six new people, bringing the total number of board members to twelve. A strategic retreat of the board and senior Haven management was held on March 3, 2018.

The recent months have seen development of several short-term cash management tools to oversee monthly Haven revenues and expenses. These tools continue to be refined for use in reporting to The Haven's board of directors and stakeholders in the community, including funders.

Debt reduction is a stated goal of The Haven; The Haven has already paid back $10,000 of the Battle Creek Community Foundation's $50,000 loan, and is on track to have this debt retired by November of 2018. Additional debt reduction will follow, as assets that are on The Haven's balance sheet are maximized and proceeds are used to enhance The Haven's financial profile. The Haven's timeline is to be debt free by June (fiscal year end) of the year 2020.

Challenges remain to The Haven's long-term financial sustainability with regard to three specific ministries; the meals ministry, and the Men's and Women's Life Recovery Programs. Specific cost reduction efforts are being implemented in these ministries, including moving the Women's LRP to a new site on Battle Creek's North Side which will save several thousand dollars per year in utility and maintenance costs.

Section I: Financial Practices

A. **Budgeting – short and long term**: In reviewing past fiscal year budgets for The Haven, two immediate factors stand out. The first was that the annual budgets created for the entire organization usually came within a few thousand dollars, or less than 0.25% of the total budget of being break-even, which is a margin of error that is next to zero, considering that a 1% variance in expenses or revenues would result in a $17,500 - $20,000 swing. With such a small margin of error, any changes or errors in the forecast that were not to The Haven's advantage could have had (and often did have) magnified negative impact on the Haven.

   The second factor that stood out was that the biggest expense of The Haven of Rest is the annual payroll, taxes and benefits expense for its 50 employees, which consumes nearly 80% of the organizational budget. This factor dwarfs the next largest single expense, namely utilities, (which is 6% of budget) by a multiple of nearly 13 times. Forecasting these payroll expenses and being off by only a small margin (for unanticipated overtime, or health care expenses being more than expected, for example) could and often did have a negative impact on The Haven's financial resources.

   Managing The Haven operationally to the actual budgets – making sure that what was forecast was actually occurring – was done on an ad-hoc basis by the former management, which often left The Haven in a position of being reactive, rather than proactive with regard to most of its financial decisions. Monthly board meetings were usually the only times that these 'results vs. expectations' numbers were reviewed, and these were on a trailing basis.

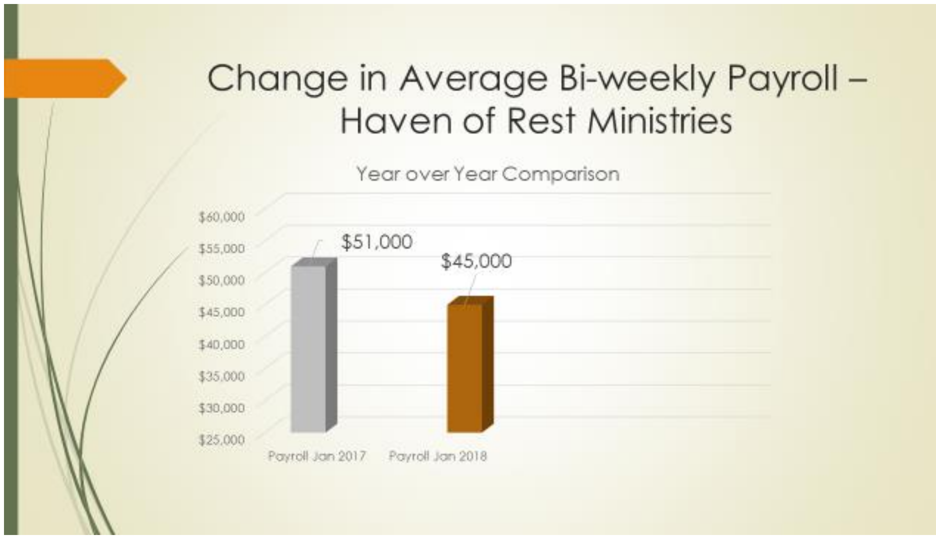
   What has changed going forward: In light of unsatisfactory results generated by break-even budgets and a non-focus on managing actual results versus expectations, The Haven has strengthened its budgeting and review process with the goal of long-term financial sustainability. We have also developed long-term five year budgets that give us a road map to achieving longer-term financial goals.

   For the very short-term outlook, defined as up to twelve months, a new set of tools has also been developed internally by The Haven; the first is a twelve-month cash flow (begun in January 2018) that highlights the eight to ten 'revenue events' that must occur every month (such as the receipt of a specific contract's revenue, or monthly grant proceeds, for example, or completion of a fundraising event such as Blues Jam) of the year. At the same time, we outlined the known monthly ‘expense events’, which are also known to occur (such as the regularity of payroll needs, or monthly utilities). We adjusted for known seasonality of both revenue and expense events. A large portion of our unrestricted donation base happens in the November – December holiday timeframe, for example, and we also know that utility bills for heat and electricity are highest during winter months.

By outlining this monthly summation of the known revenue and expense events, management of The Haven’s short-term cash flow has become much more focused. Instead of losing focus on the minutiae of the various bills of The Haven, management has refocused on the top-line accomplishment of the 16 to 20 monthly critical factors that affect The Haven’s cash flow in material ways.

The current cash flow can be seen attached to this plan as “**Exhibit A**”, and serves as the short-term “front-end” of our long-term plan for financial sustainability.

Next, in February 2018, Haven management evaluated every ministry’s payroll expenses versus budget for the first months of fiscal year 2018, to see if the six months operational budgets were lining up with what was happening. With the reduction of paid staff positions at The Haven from 65 to 52, (by itself a significant change) and with the restructuring of several jobs within ministries, The Haven’s bi-weekly payroll expense has gone from an average level of $51,000 every two weeks (January, 2017 averages) to under $45,000 every two weeks (January 2018 averages). Annualized, this is a savings of over $150,000, or roughly 12% annually, in the largest expense item on The Haven’s budget.



<u>One comment on staffing</u>: At 52 staff people, The Haven is being run in an efficient and lean manner. Individual manager's use of overtime for Haven employees is only allowed on an emergency basis, which must be approved through the Executive Director. Staffing at our ministries seems to be at a level that the coverages are in place for all the necessary sites and desks, without using overtime, and without having gaps in service. The Haven was successful in handling the recent minimum wage increase, and has actually put our minimum wage at the Haven at $9.40 – which is $0.15 above the state-required minimum of $9.25 per hour. The Haven presently has 26 hourly employees, many of whom are at that $9.40 per hour level.

Finally, looking at the longer term, The Haven did not previously have any budgets that extended out more than twelve months. This has changed, with The Haven developing longer-term five year budgets, which include multi-year focus goals of financial sustainability. The current five year budget is included with this plan as "**Exhibit B**".

The five year budget in Exhibit B, which includes year-by-year projections, includes a 1.5% annual inflation rate adjustment. More importantly, though, this spreadsheet is set up so that a change in operational revenues or expenses can be adjusted relatively quickly. For example, a reduction in the cost of the Women's Life Recovery Program utility costs can be adjusted in the cost section of the WLRP ministry sub-spreadsheet manually, which will then translate directly into the current year budget and then automatically update the figures used for future year budgets.

B. Financial Goals

The Haven has created some short and long-term financial goals in the most recent restructuring, again with orientation to the long-term financial sustainability of The Haven's operating business.

1. **The first of The Haven's short-term financial goals is to maintain a $100,000 cash reserve as a base for working capital**. Previously, no target had been established, and no reserves were held. Bills were paid as funds became available, or left unpaid if funds were not available. The $100,000 figure is approximate to one month's operating costs for The Haven, including a dollar amount representing (roughly) two payrolls and the expected minimum amount of monthly bills that would have to be paid to keep The Haven operating.

   Over a five year period, when (and if) The Haven's financial strength has improved, it is likely that this cash reserve target will be increased to be able to reflect **two, and ultimately three months of operations** at The Haven. This will be a figure of between $250,000 and $350,000 in cash balances / reserves, however for the purposes of The Haven's near-term financial goals, this $100,000 level is our realistic target. We began calendar 2018 with this level of cash after a strong Christmas/holiday donation season, and we have targeted maintaining cash at this level over the next twelve months, however with debt payback activity ongoing, (and with over $14,700 in funds necessarily being returned to the capital campaign) it is likely that this $100,000 target will not be re-achieved with regularity until sometime in fiscal years 2019 -2020.

2. The Haven's executive team, supported by the Board of Directors, has formulated a goal and begun a plan **to be (as an organization) completely debt-free by the end of fiscal year 2020** as well (specifically June 30, 2020). This is a two-year plus plan to reduce The Haven's short and long-term debt balance of $247,000, and give The Haven some stronger long-term financial sustainability by not having debt to service on the balance sheet, an activity that presently requires several thousand dollars per year.

   The Haven's debt reduction activity will begin with payback of the Battle Creek Community Foundation's $50,000 loan ($10,000 of which has already been paid back) by November of 2018, and then continue with reduction of The Haven's working capital line of credit that is presently extended by Fifth Third Bank. The current balance of that line of credit debt is $100,000, and again, payback of this note will begin in January of calendar year 2019 and continue for approximately 20 months (plus or minus a few months) into the June of 2020 timeframe. **We are using a payback rate of $5,000 per month,** a level that we believe is sustainable given The Haven's short and long-term cash flow forecasts.

The last piece of debt that The Haven maintains is a mortgage of $87,000 that is a lien on five rental properties that The Haven maintains. These properties have been the subject of a purchase agreement from a local realtor which The Haven board approved in March of 2018. The sales price will be $97,500, and this transaction is expected to close on July 1, 2018. Proceeds in excess of the debt balance on these properties are expected to be between $10,000 and $12,000, which will be added to The Haven's operating cash reserves in the fiscal year 2019 timeframe.

The Haven also has a land contract on a local house which was donated to us that is in the process of being sold to a purchaser of such instruments. The expected sale will close in Spring of 2018, and The Haven could realize up to $13,000 from this transaction, which will also be added to cash reserves.

C. Reporting and Transparency

Previously, The Haven's financial reporting to the board of directors consisted of a monthly report packet, which contained copies of the balance sheet, an income statement and an actual-to-budget results comparison for monthly and year-to-date cash flows.

On the surface, this would seem to be a good collection of financial information to provide to leadership, however this report packet was provided to the Executive Director and board members on a trailing monthly basis, with little analysis or written discussion attached. Individual ministry breakdowns were not available, nor requested, and managers at The Haven were not provided individual budgets from which they would have been able to plan. No forward looking dynamic budgeting was done, incorporating material changes that took place over the course of the budget year.

The Haven’s accounting system does not currently lend itself well to creating individual ministry budgets, which is a desirable product. **Our individual ministry managers need to know the budgets that are driving their ministries, and we also need to be able to hold managers accountable to staying within these budgets**.

This need may drive the Haven to make a long-term decision to switch from the SAGE accounting system (current system) to a cheaper alternative of Quickbooks. This is a recommendation from Plante-Moran, and one that we are actively considering in light of cost savings and features of the software package that will enable us to get ministry budgets and variance reporting on a similar level.

On an interim basis, Excel spreadsheets have been developed for each ministry, providing managers with annual payroll and other expense information, helping them for the first time to understand the targets and budgets that they are expected to work within. This “sharing” or broadcasting of the individual ministry budget information to the managers has been well received by the staff.

At the board level, while summary financial data is good, analysis must be provided, in writing, as to what the numbers reflect. Detailed data that may not have been available previously must be broken out and explained, including significant variances (in excess of 10% to 15%) from individual budgets, and a plan of action with regard to each notable variance.

Development of this board packet will take several months, as The Haven’s person in the Controller role is relatively new (less than 3 months in this role). Once the Controller has had a chance to master the accounting systems, we would expect this reporting packet to be developed by the end of Fiscal Year 2018, and be implemented in the new 2019 Fiscal Year. We are also evaluating a switch to Quickbooks as an accounting system at the same time, also helping us to create this package of reports only once (as opposed to creating it on both systems), thus conserving the Controller’s time and focus resources.

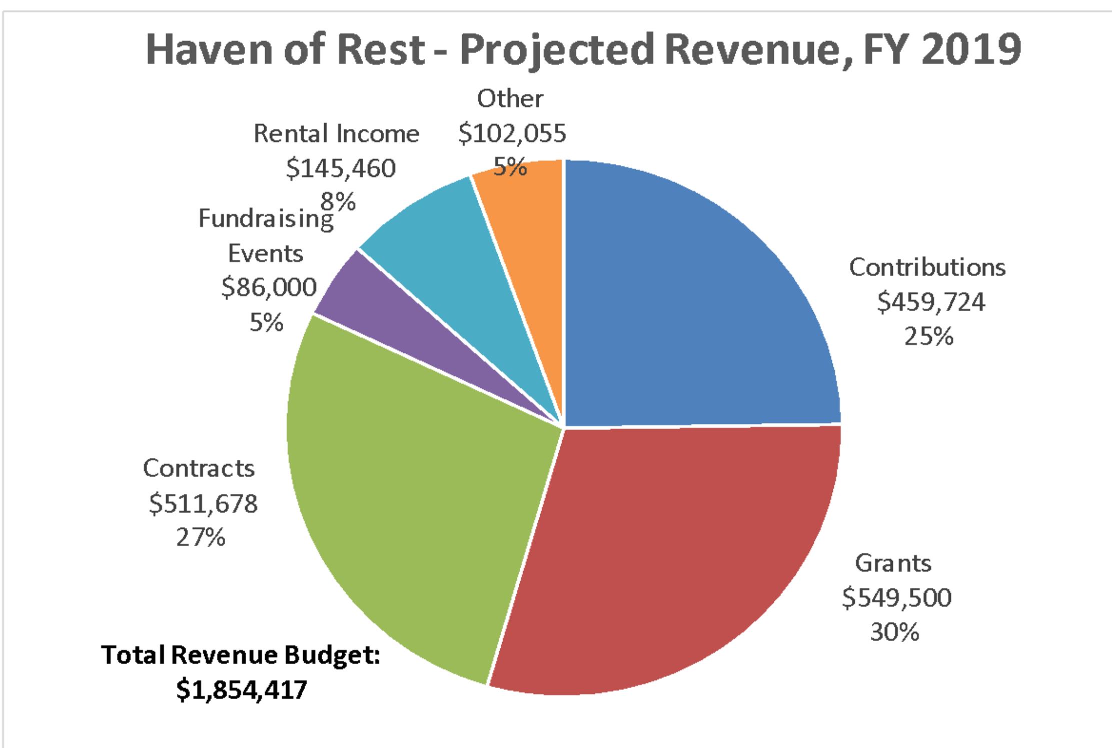
On a longer-term basis, The Haven has recently contracted with Yeo & Yeo for performing professional audits of the fiscal years 2016, 2017 and soon 2018. These audits of 2016 and 2017 will be performed before June of this year, and then the fiscal year 2018 audit will be conducted and closed before

October of this year. We at The Haven have been advised by Plante-Moran to expect the FY2016 and FY2017 audits to include some statements of material weakness or concern from the accounting firm doing this work, and potentially through 2018. We would expect our FY2019 audit to be a "clean" audit, though, free from such statements.

Section II: Fund Development

A. Revenue Generation and Revenue Diversity

The Haven currently has a well-diversified revenue stream; broken down between the three main portions shown in the graphic below of "Contributions", which are unrestricted private donations of $459,000 expected in FY2019, "Grants", which are committed amounts for grants to various Haven ministries in the amount of $549,000, and "Contracts", which are 27% of the budget at just over $511,000, the majority of the Haven's sources of income are predictable and strong. Totaling $1.854 million, these revenues are also sufficient to cover 2019's expected expenses of $1.778 million, and leave room for an expected debt paydown during the fiscal year of $60,000.



Fundraising events include the Haven's Blues Jam, the Roof Sit, and finally the annual golf outing. These fundraising events have strong, long-term track records, including the Blues Jam (27 years) and over 10 years each for the Roof Sit and golf outing.

One additional fundraising event may be added to this list in the near future, with a goal of approximately $20,000. This event, termed "*Ladies Night Out*", a silent auction / dinner event, was actually created and held in late 2016 to benefit our Children's Gain Access Program ("GAP"). It was not, however, repeated in 2017 for The Haven's benefit, and although we are planning to ask for support from this event again in FY2019, we currently do not have a dollar amount budgeted.

Looking again at the major sources of The Haven's revenues, individual donations are expected to remain relatively constant from the FY2018 period. The Haven's 2017 Christmas / Holiday season giving was actually quite strong (up 15% year over year) versus the same period in 2016. This is encouraging given that The Haven was in the news / spotlight regarding its financial issues and executive turnover during that period. People seemed to have responded with stronger levels of support to a known need in the community. Long-term, we would expect donations to remain constant or increase slightly, although there is risk to the forecast if the local economy weakens materially.

Interestingly, in one particular Haven ministry, the Jail Ministry, the potential existed last year for The Haven to shut down this ministry entirely. In May of 2017, The Haven board voted to close this ministry in order to save money on what was seen as a 'money loser' of an operation.

The local faith-based community took great exception to this development, and responded not only with words of support – very strong words – <u>but also with a growth in donations specific to this ministry of over 100%.</u> Despite this support, this specific ministry was not 'right sized' nor profitable, so in December of 2017, Haven management let go one of two chaplains that were active in this ministry's office.

Looking forward, this ministry is now operating at just over a break-even, and we are hearing that the faith based community's support is still very strong for this ministry. We are encouraged that this entire process not only brought more support to The Haven, it gave us the opportunity to open communication lines with our faith-based supporters that previously were not actively open.

B. Contract Opportunities

Long-term sustainability risks / opportunities to the Revenue Models: Short and long-term risks to the Haven's revenue models exist in the form of potential changes in the grants / contracts segment of our income. Any negative change in funding from the committed funders such as United Way (currently committed in FY2019 to support six ministries at the Haven with $212,500 annually, or 12% of our revenue budget) or from our Veteran's Administration contract ($232,000 annually in support of our Veteran's Program) or Salvation Army contract ($306,000 annually, specific to our homeless shelter) would have serious impact on the Haven's ability to operate in a financially sustainable manner over the long-term.

At present, though, we do not have any reason to expect material negative changes in the funding streams highlighted above.

The Veteran's Administration contract has been with The Haven for over five years. This is a "per diem" contract for services to homeless veterans sent to us by the VA, and it is up for review and renewal **this calendar year** and we believe that The Haven's position in this renewal is exceptionally strong. Our Veteran's In Progress ("VIP") program has some of the best exit data (*literally Vets exiting to housing situations successfully*) in the VA's network of care providers in the State of Michigan.

The Haven is also one of the lowest cost providers in the State of Michigan, at its contracted rate of $49 per night. We intend to ask for an up to 10% increase in this per diem (which would be our first increase in several years) to $54 per night, on a five year contract with annual increases built in. We may also ask for an expansion of the program from 15 beds to 18 to 20 beds, given the success of this program. No increase can be assured, however, so our long-term budgets reflect current pricing and capacity.

The Salvation Army contract, another very long-term contract that the Haven has, which supports our men's and women's homeless shelters with a $16 per bednight revenue figure, was recently expanded from a total contract size of $230,000 to over $306,000 (this increase only took effect in November 2017 in terms of realized income). While we would certainly enjoy another increase, the 2017 increase was the first increase in several years, and we do not expect another. This 2017 increase was, however, meaningful in size, and more than sufficient (+$76,000 annually) to create positive levels of annual income in both the Haven's Men's Shelter and Inasmuch House going forward. **This particular positive contract change in November 2017 has supported The Haven's long-term financial sustainability in a material way**.

The next largest grant support group The Haven has is the United Way, which supports six different ministries at The Haven with individual grants: The United Way supports the Haven's Men's and Women's shelters, the WIN Program, both Men's and Women's Life Recovery and the education-related GAP program for children of homeless families. The total of these six grants is over $212,000 annually.

We are in constant contact with the United Way about how our programs address the needs of the people they are most interested in helping – the "ALICE" population, and the population of our community that struggles with poverty. As with any program of grants, the potential for cutbacks from this source exists, however we feel that the individual programs merit the continued support of UW. With the level of communication that we have with United Way, we would expect a long lead time of any change in support levels, and have some ability to compensate, as an organization, with some of our excess unrestricted donations unless something dramatic were to change. We would assign a very low probability to dramatic change in these support levels without any notice or warning.

One note with regard to United Way is that The Haven currently does have a grant application in with the United Way's basic needs pillar specifically for the meals ministry. This application is for $60,000, which would go towards the annual $156,000 amount The Haven spends in providing over 70,000 meals to its homeless guests and clients. While this $156,000 figure amounts to a cost of roughly $2.10 per meal provided (which is amazing, really!), the amount of support this specific ministry takes in is only about $52,000 at present, the majority of which is through a grant from Post Foods which has an annual (springtime) application process. This leaves us a "hole" to fill in the meals ministry budget of about $104,000. Present budget levels in FY2019 reflect an expectation that the Haven will find success in support of this ministry in the amount of $25,000 in some form of grant / food program.

To reduce the amount of money we spend on acquiring food, The Haven recently asked for and received permission to increase its access to a private food bank located in Grand Rapids, Michigan. This food pantry, called the "***Buist Community Assistance Center***", has allowed us to visit on a twice-monthly basis (up from once a month) to obtain over 2,000 pounds of free food donations every time we make the round trip with our cargo van. This is a new development within this key relationship / alliance, and benefits The Haven's food program immensely. The products we are picking up are canned fruits and vegetables, fresh produce and frozen meats in serious quantities. Buist is also able to be very responsive to specific needs we express if we are experiencing shortages in one particular item or food / produce category.

Our staff of five people, including the kitchen manager, cooks and line servers, are supplemented by critical volunteers as they manage The Haven's kitchen 14 hours per day, providing 3 meals every day, 365 days per year.

The largest risk to our funding stream that we perceive is the present level of support The Haven receives from two HUD grants, totaling $156,000. These grants support the WIN program, a transitional housing program that is a follow-on for families that have success at Inasmuch House in creating income and need extra time to build skills and stability at independent living, and the Men's Life Recovery Program. The support for WIN, at $68,000, is a significant portion of that ministry's overall funding, and any material change in that support would likely create a need to make a decision on the viability of that ministry.

Similarly for the Men's Life Recovery Program, the HUD grant of $88,000 is presently at a level of roughly half of what it was ($175,000) in recent years. Any further cuts in that grant could result in the Haven evaluating that program's future viability, although support for this program in the community and through other funding sources is quite strong. Men's LRP is also supported through grants from Southwest Michigan Behavioral Health ("SWMBH") and also the United Way, as mentioned above.

HUD is going to visit the Haven in June of 2018 for a semi-annual audit / review of these two ministries; at that time we intend to discuss the future of these HUD grants, and any potential for the return of previous support levels.

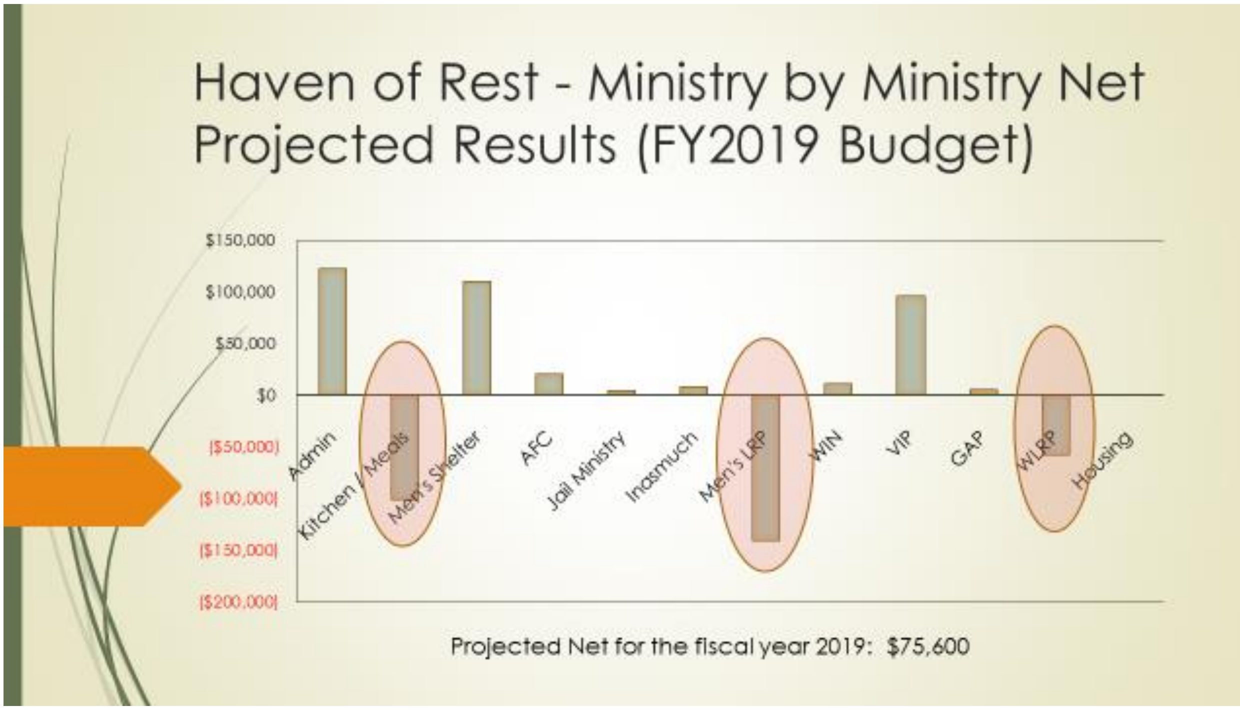
Our present long-term view is that if changes to these supportive HUD grants do happen, that we would encourage the HUD WIN money to be combined with existing HUD Men's LRP Support, and we would discontinue the WIN program before making any reductions to the Men's LRP.

On the opportunity side, we do believe that **Medicaid billing** is a long term option that is open to the Haven, and we are pursuing the ability to tap into that source of funds through our Men's and Women's Life Recovery Programs. (**Update: as of March 13th, the Haven is approved for Medicaid billing! We are working through a Berrien Springs consultant to implement this billing, and are planning to have this funding stream operational before the end of Fiscal Year 2018**!)

While long-term residential substance abuse treatment is not something that Medicaid can be billed for, we can send bills for the therapy / treatment time (on an hourly basis) that we provide licensed therapies to our clients in either group or one-on-one therapy sessions. Our models currently include a modest ($5,000 per year in the Men's and Women's LRPs) expectation that we will begin billing Medicaid within the next fiscal year (2019).

III. Strategic Planning and Thinking

A. **Strategic Opportunities**: Multiple long-term opportunities exist for The Haven with regard to strategic planning around our ministries serving the homeless. Individually, the three highest priority areas for The Haven are the Men's and Women's Life Recovery Programs, and the meals ministry. Because of their negative revenue /cost profiles, these are the ministries that are identified as putting the most financial pressure on The Haven's long-term sustainability. (See graphic, next page).



Strategically, The Haven needs to address each one of these ministries individually and either gather an increased level of support for each one, or consider the long-term viability of these ministries.

The Haven's board and senior executive management met in a strategic meeting on Saturday, March 3, 2018 to discuss the future outlook of The Haven, and considered each of these ministries during the course of that meeting. At this time, the board is continuing its support for The Haven's provision of both of these (Men's AND Women's) Life Recovery Programs to the community for the foreseeable future, and at present **there is no intention of shutting down or paring back the meals ministry either**.

The meals ministry presently has a negative annual excess of cost above revenues of over $100,000, although an application to the United Way's basic needs pillar has been sent in, with a requested amount of $60,000 annually. **As part of long-term financial sustainability, The Haven absolutely needs to pursue additional long-term support for this particular ministry feeding the homeless**.

We may also need to consider reductions in the largest expense center in this ministry, which is the cost of personnel needed to create and serve over 70,000 meals per year at The Haven. Replacing line servers with volunteers is a potential way to save costs associated with approximately 55 hours per week of staff time. Annually, if we replaced all of these servers with volunteers, we could see cost savings of roughly $28,000. Line servers do, however, need to have "**Serv-Safe**" food safety training, and this training is required by law. This makes using volunteers who may not have this training impossible, and leaves us with the challenge of using paid staff in these positions.

The issues surrounding the Men's and Women's Life Recovery Programs are also significant. Annual costs in excess of revenues in the Men's program (which, in this budget includes costs of all the therapists used in both programs) exceed $138,000, and annual costs in excess of revenues in the Women's Program are over $57,000.

On a fundamental cost basis, an argument could be made that by summarily closing both these Life Recovery Programs, The Haven could save nearly $200,000 immediately, which would bolster our bottom line and long-term financial sustainability quite dramatically.

We believe that this "solution", however, could have an immense negative impact on this community and its homeless population that might not be desirable. The Haven is the only in-residence substance abuse treatment facility for men in Calhoun County, and is also the only long-term treatment program for women with the ability (through Inasmuch House) to provide housing.

Substance Abuse is one of the leading causes of homelessness. Combined with often "co-occurring" mental health issues, those in our population suffering addiction have two very significant barriers to overcome to achieve a healthy state where they are capable of living independently with any long-term rate of success. The Haven's Men's and Women's programs of Life Recovery have strong, lengthy, proven track records with regard to success in the long-term treatment of substance abuse and the building of sustainable individual recovery. To put it simply, these programs are critically needed by our community now more than ever. **Instead of considering the closure of these programs, we should, as a community, be looking at investing in these programs and expanding them.**

Expansions aside, with a long-term commitment on the part of The Haven to the maintenance and provision of these substance abuse treatment programs as they are today, **cost savings have to be implemented within the individual Men's and Women's LRP ministry structures in order to enhance The Haven's long-term financial sustainability**.

One extremely visible effort in this cost reduction program has already taken place; we have evaluated the Emily Andrus Home as to whether this is the right site to hold the Women's LRP and have determined that more cost effective sites exist. Utilities at the Emily Andrus Home cost the Haven over $20,000 per year for its 12,000+ square foot space, and repairs on the building are normally over $10,000 annually. We do not use this space except for holding WLRP meetings for 8 hours per day, five days a week, and even that operation only uses a fraction of the house's square footage space. This is an unsustainable part of this operation.

The good news is that a site has been offered to The Haven at 365 Capital Avenue NE in Battle Creek for essentially <u>no cost</u>. We're moving the Women's LRP to this new site as we speak - in March of 2018 - and are truly excited about the prospects of using this new space.

Rhema Word Church, a Pennfield-based church that has been extremely supportive of The Haven's Women's LRP since its inception in 2012 acquired the building on Northeast Capital Avenue in Battle Creek for the purposes of pursuing inner-city ministry. The use of this building, at the corner of Garrison and Capital Avenue NE, has been offered to the Haven for its WLRP ministry at essentially no cost – though The Haven is offering to provide $200 monthly to Rhema Word for utility costs related to our daily time at the site, plus paying our own phone and Internet costs. Renovations (also done by Rhema Word Church at their cost) are complete. When completed, this move will result in a huge cost savings to the Haven's Women's LRP ministry, estimated to **be over $30,000 annually, in terms of utilities and repairs**. **This allows us to cut the annual "loss" in the WLRP ministry essentially in half**.

Other revenue streams that could benefit the Men's and Women's LRP's could be developed with successful application to the Federal Government's SAMHSA (Substance Abuse and Mental Health Agency) for grants. These are very large grants, and The Haven has tried unsuccessfully in the past to obtain them. If these grants are to be pursued, The Haven will likely need some grant writing assistance from specialized grant writers in the Federal substance abuse grant application field, and we are researching those writers now.

Other possible strategic avenues:

Several avenues of structural change are being considered at The Haven, and we are pursuing them in hopes of seeing cost reduction / income creation / productivity gains through these means. One of these avenues is to coordinate benefits and human resource needs through AccessPoint, a firm that already does work with the Battle Creek Community Foundation.

Increasing our use of technology is another avenue, and we have begun the process of installing an in-house local area network, a first for The Haven of Rest. This network installation has already connected the administration offices computers, and we are pursuing expansion of this network. Our donor management software, Raiser's Edge, will be migrating onto this platform in the near future. While it is hard to quantify the impact from these new technology solutions, we are expecting increases to productivity to be noticeable.

Strategically, to enhance The Haven's long-term financial sustainability, The Haven recently terminated its employee cell-phone plan, which allowed Haven employees and family members the opportunity to sign up for cell phone service at discounted rates. In theory, all cell phone bills were to be offset by employee payroll deduction, protecting The Haven from costs related to this plan. In practice, this plan was effectively out of control, with no oversight as to accurate payroll deductions, no limits to cell phone sign-ups, and no termination of employees' contracts as they left employment of The Haven. At its peak, over 100 cell phones were on the Haven's account, resulting in thousands of dollars of charges (monthly) that were not being offset via collections by, or payments to, The Haven.

This plan was terminated in January of 2018, and currently has 3 phones remaining on it: Two (2) phones are for one employee of the Haven whose credit was such that he and his wife could not obtain a cell phone independently, and the other phone is for a laundry worker at The Haven who counts this phone as part of his monthly compensation. Payroll deduction for the remaining two employee phones is tracked, and happening regularly.

Finally, The Haven is evaluating the potential sale of the Emily Andrus House. An appraisal done by a local qualified appraisal firm has put a valuation on the house of $280,000. As we research the potential buyers for a property such as this, we remain mindful of the neighborhood to which we have a responsibility; we cannot just walk away from the building.

B. Leadership and Governance

The Haven's board of directors recently expanded to include six new members. Currently, the Board is composed of the following twelve persons:

Carlton Lartigue, Board Chair	George Smith, Vice President
Rev. Barbara Burrill, Secretary	Dr. Denise Washington, PhD, Treasurer
James Haadsma	Sharon Gawlak
Michael Pierce	Rev. Mike Conklin
Rev. Dave Proulx	Shannon Graham
Rev. William Wyne	Virginia "Ginsie" Ingraham

As a group, this board is beginning the work of strategic guidance of The Haven, and has recently met as a body, with executive management of The Haven in strategic session. Stated goals and the work product from this strategic session are still being finalized by our moderator, however these goals do include being debt-free by June of 2020, and a commitment to the continuation of the meals and Life Recovery Program ministries.

Other recent actions by this board include the authorization of the sale of the Haven's rental properties in an effort to maximize The Haven's balance sheet assets, and the research into the ultimate sale or disposal of the Emily Andrus Home.

The board is also looking in to a revisit and revision to the Haven's existing bylaws. Such a revision would include a look at other 'best practices' in board governance structure, including possible inclusion of term limits and training in leadership roles of the board.

Twelve Month Cash Flow Forecast - Haven of Rest Ministries

Beginning Bank Balance 1/1/2018	$100,000	$102,960	$99,465	$51,676	$40,887	$33,098	$64,309	$101,520	$107,731	$33,942	($347)	$28,864	
Cash Flow Forecast: 2018													
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**TOTALS**
Revenue:													
Donations - Public - Based on prior Year's amounts	$34,000	$21,000	$28,000	$20,000	$23,000	$27,000	$23,000	$27,000	$30,000	$26,500	$60,000	$70,000	$389,500
Events:	Blues Jam ->	$20,000			Roof Sit ->	$35,000	$25,000	$10,000	<-Golf Outing				$90,000
United Way	$17,700	$17,700	$17,700	$17,700	$17,700	$17,700	$17,700	$17,700	$17,700	$17,700	$17,700	$17,700	$212,400
SWMBH	$8,500	$8,500	$8,500	$8,500	$8,500	$8,500	$8,500	$8,500	$8,500	$8,500	$8,500	$8,500	$102,000
VIP / VA	$19,000	$19,000	$19,000	$19,000	$19,000	$19,000	$19,000	$19,000	$19,000	$19,000	$19,000	$19,000	$228,000
RENT (AFC, other)	$11,736	$11,736	$11,736	$11,736	$11,736	$11,736	$11,736	$11,736	$11,736	$11,736	$11,736	$11,736	$140,832
Salv Army	$33,000	$33,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	Contract Total $306,000		$30,000	$30,000	$306,000
Other Grants:						Post Foods ->	$20,000						$20,000
HUD Grants (LRP/ WIN)	$13,000	$13,000	$13,000	$13,000	$13,000	$13,000	$13,000	$13,000	$13,000	$13,000	$13,000	$13,000	$156,000
Other:	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$12,000
Sub-Total	$137,936	$144,936	$128,936	$120,936	$123,936	$162,936	$168,936	$137,936	$100,936	$97,436	$160,936	$170,936	$1,656,732
Expenses:													
			3 payroll month						3 payroll month				
Payroll:	($85,000)	($85,000)	($128,000)	($85,000)	($85,000)	($85,000)	($85,000)	($85,000)	($128,000)	($85,000)	($85,000)	($85,000)	($1,106,000)
Health Care Benefits:	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($120,000)
WIN Program Rent	($4,160)	($4,160)	($4,160)	($4,160)	($4,160)	($4,160)	($4,160)	($4,160)	($4,160)	($4,160)	($4,160)	($4,160)	($49,920)
Food	($3,100)	($3,100)	($3,100)	($3,100)	($3,100)	($3,100)	($3,100)	($3,100)	($3,100)	($3,100)	($3,100)	($3,100)	($37,200)
Utilities:	($13,251)	($12,000)	($12,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($12,000)	($129,251)
Supplies:	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($36,000)
Fundraising:	($1,765)	($1,765)	($1,765)	($1,765)	($1,765)	($1,765)	($1,765)	($1,765)	($1,765)	($1,765)	($1,765)	($1,765)	($21,180)
Loan Payments / Interest:	($1,700)	($1,700)	($1,700)	($1,700)	($1,700)	($1,700)	($1,700)	($1,700)	($1,700)	($1,700)	($1,700)	($1,700)	($20,400)
Liability Insurance:	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($3,000)	($36,000)
Repairs / Maintenance:	($4,000)	($4,000)	($4,000)	($4,000)	($4,000)	($4,000)	($4,000)	($4,000)	($4,000)	($4,000)	($4,000)	($4,000)	($48,000)
Other:	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($1,000)	($12,000)
Sub-Total	($129,976)	($128,725)	($171,725)	($126,725)	($126,725)	($126,725)	($126,725)	($126,725)	($169,725)	($126,725)	($126,725)	($128,725)	($1,615,951)
Monthly NET	**$7,960**	**$16,211**	**($42,789)**	**($5,789)**	**($2,789)**	**$36,211**	**$42,211**	**$11,211**	**($68,789)**	**($29,289)**	**$34,211**	**$42,211**	**$40,781**
BCCF Repayment Schedule:	($5,000)	($5,000)	($5,000)	($5,000)	($5,000)	($5,000)	($5,000)	($5,000)	($5,000)	($5,000)	$0	$0	($50,000)
Fifth / Third Loan Paydown:	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($5,000)	($5,000)	($10,000)
Payback of Capital Campaign Money	$0	($14,706)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($14,706)
Month End Close Balance:	***$102,960***	***$99,465***	***$51,676***	***$40,887***	***$33,098***	***$64,309***	***$101,520***	***$107,731***	***$33,942***	***($347)***	***$28,864***	***$66,075***	
(Target)										Low Point (Expected)			

EXHIBIT A

THE Haven

Giving Hope to the Homeless Since 1956

Five Year Forecast: Exhibit B

1.50% Growth Forecast Percentage

	FY2018 Budget Total Operations	Year 1 FY2019 Budget Total Operations	Year to Year Change	Year 2 FY 2020	Year 3 FY 2021	Year 4 FY 2022	Year 5 FY 2023
REVENUE:							
Contributions	$ 441,610	$ 459,724	$ 18,114	$ 466,620	$ 473,619	$ 480,723	$ 487,934
Grants	$ 544,356	$ 549,500	$ 5,144	$ 557,743	$ 566,109	$ 574,600	$ 583,219
Contracts	$ 434,611	$ 511,678	$ 77,067	$ 519,353	$ 527,143	$ 535,050	$ 543,076
Fundraising and Events	$ 102,000	$ 86,000	$ (16,000)	$ 87,290	$ 88,599	$ 89,928	$ 91,277
Rent Income	$ 148,551	$ 145,460	$ (3,091)	$ 147,642	$ 149,857	$ 152,104	$ 154,386
Other Income	$ 79,605	$ 102,055	$ 22,450	$ 103,586	$ 105,140	$ 106,717	$ 108,317
TOTAL REVENUE	**$ 1,750,733**	**$ 1,854,417**	**$ 103,684**	**$ 1,882,233**	**$ 1,910,466**	**$ 1,939,123**	**$ 1,968,210**
EXPENSE:							
Client Costs	$ 93,817	$ 88,092	$ (5,725)	$ 89,413	$ 90,755	$ 92,116	$ 93,498
Auto Exp	$ 5,465	$ 5,465	$ -	$ 5,547	$ 5,630	$ 5,715	$ 5,800
Computer/IT Exp	$ 6,905	$ 6,905	$ -	$ 7,009	$ 7,114	$ 7,220	$ 7,329
Payroll Exp	$ 1,129,074	$ 1,183,725	$ 54,651	$ 1,201,480	$ 1,219,503	$ 1,237,795	$ 1,256,362
FICA Exp	$ 80,052	$ 88,160	$ 8,108	$ 89,482	$ 90,825	$ 92,187	$ 93,570
Health Ins Exp	$ 71,285	$ 92,683	$ 21,398	$ 94,073	$ 95,484	$ 96,917	$ 98,370
General Insurance Exp	$ 42,671	$ 39,600	$ (3,071)	$ 40,194	$ 40,797	$ 41,409	$ 42,030
Licensing Exp	$ 1,075	$ 1,907	$ 832	$ 1,936	$ 1,965	$ 1,994	$ 2,024
Fundraising	$ 19,270	$ 18,208	$ (1,062)	$ 18,481	$ 18,758	$ 19,040	$ 19,325
Staff Training	$ 4,398	$ 3,872	$ (526)	$ 3,930	$ 3,989	$ 4,049	$ 4,110
Supplies Exp	$ 39,393	$ 39,936	$ 543	$ 40,535	$ 41,143	$ 41,760	$ 42,387
Repairs Exp	$ 37,049	$ 39,275	$ 2,226	$ 29,864	$ 30,312	$ 30,767	$ 31,228
Property Tax Exp	$ 7,156	$ 7,156	$ 0	$ 264	$ 268	$ 272	$ 276
Utilities Exp	$ 120,491	$ 110,296	$ (10,195)	$ 89,950	$ 91,300	$ 92,669	$ 94,059
Office/postage Exp	$ 2,641	$ 4,934	$ 2,293	$ 5,008	$ 5,083	$ 5,159	$ 5,237
Loan Payments Int/Principal	$ 22,750	$ 19,595	$ (3,155)	$ 2,855	$ -	$ -	$ -
Misc Exp	$ 947	$ 602	$ (345)	$ 611	$ 620	$ 629	$ 639
Joy to the Jail Expenses	$ 3,400	$ 3,400	$ -	$ 3,400	$ 3,400	$ 3,451	$ 3,503
Debt Repayment	$ 37,000	$ 25,000	$ (12,000)	$ 60,000	$ -	$ -	$ -
Total Expenses	**$ 1,724,839**	**$ 1,778,811**	**$ 53,972**	**$ 1,784,033**	**$ 1,746,945**	**$ 1,773,149**	**$ 1,799,747**
Net From Operations:	**$ 25,894**	**$ 75,606**	**$ 49,712**	**$ 98,199**	**$ 163,521**	**$ 165,974**	**$ 168,464**