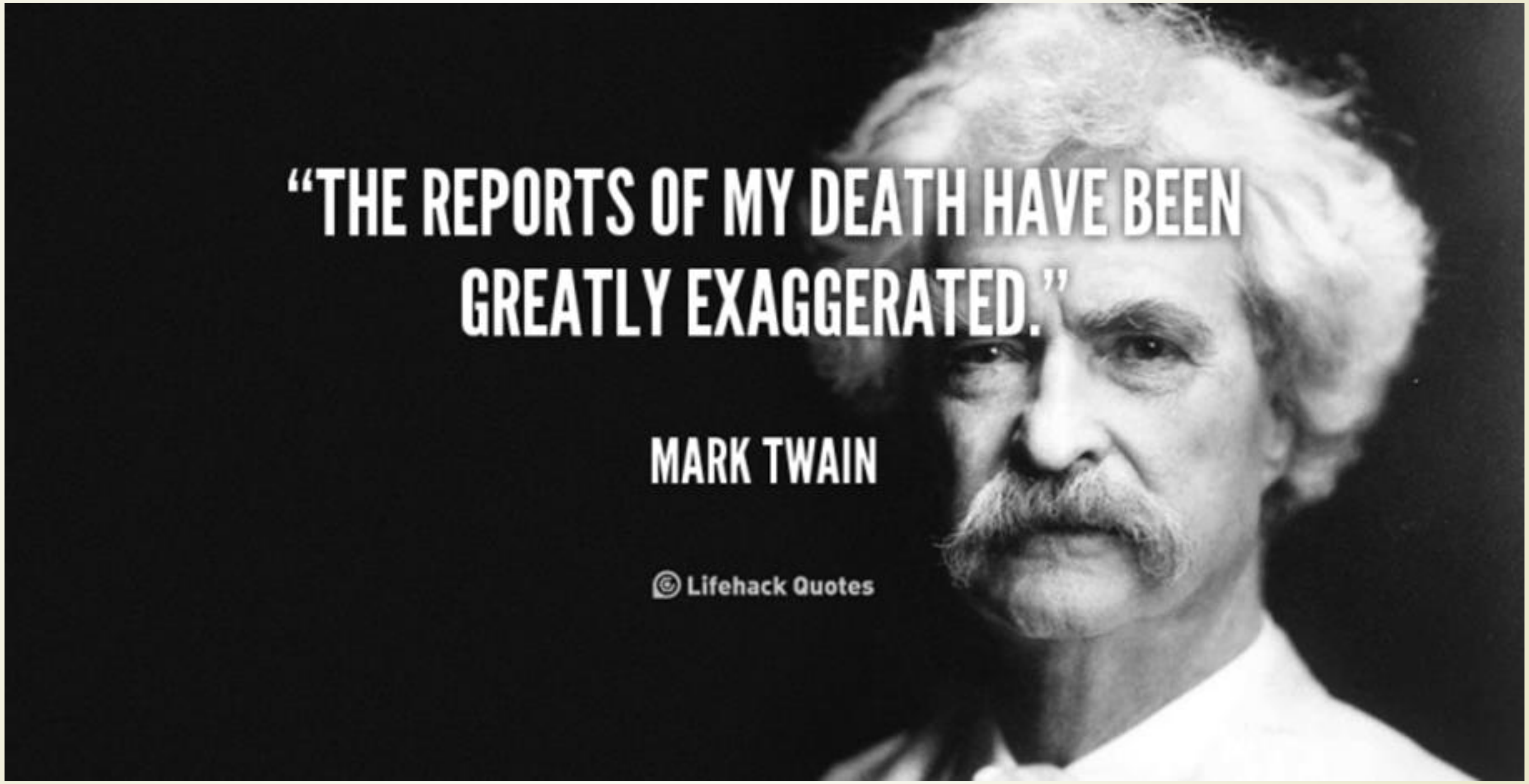
Haven of Rest Ministries

Financial Sustainability Plan – Presentation to Funder's Group, March 21, 2018

Executive Summary:



All kidding aside:
The Haven is strong and getting stronger.

- The Haven of Rest continues to provide a critical part of Calhoun County's Social Safety Net, with excellence of service, and with improving financial sustainability.
- In eight months since leadership change, aggressive restructuring at the Haven has resulted in a reduction in employee count, discontinuation of money-losing programs and practices, and a refocus on the bottom line.
- The first six months of FY2018 have been profitable, and above expectations. All of our bills are current. Debts are being paid down.
- Our operating cash balance has been maintained at strong levels.
- Restructuring has also improved services available through our substance abuse treatment programs.
- Our employee morale is strong, and getting stronger as well.
- Donor support for the Haven also remains strong.

Where we were:

- We were financially at a point where payrolls were delayed or missed.
- On a limited basis, Employees were leaving because of this issue.
- Change took place in July 2017, including our Executive Director and later, our Controller position.
- The Battle Creek Community Foundation loaned us $50,000 in August of 2017 so that we could make payroll and pay utility bills that otherwise would have forced us to shut our doors.
- The Haven's State-licensed child care operation was also closed in September 2017 due to staff departures.
- Plante-Moran came into the Haven in September as well, to begin its financial review; This review was comprehensive.
- In November, the Haven was finally able to unlock HUD grant dollars that were previously not accessible (over $78,000, ultimately).

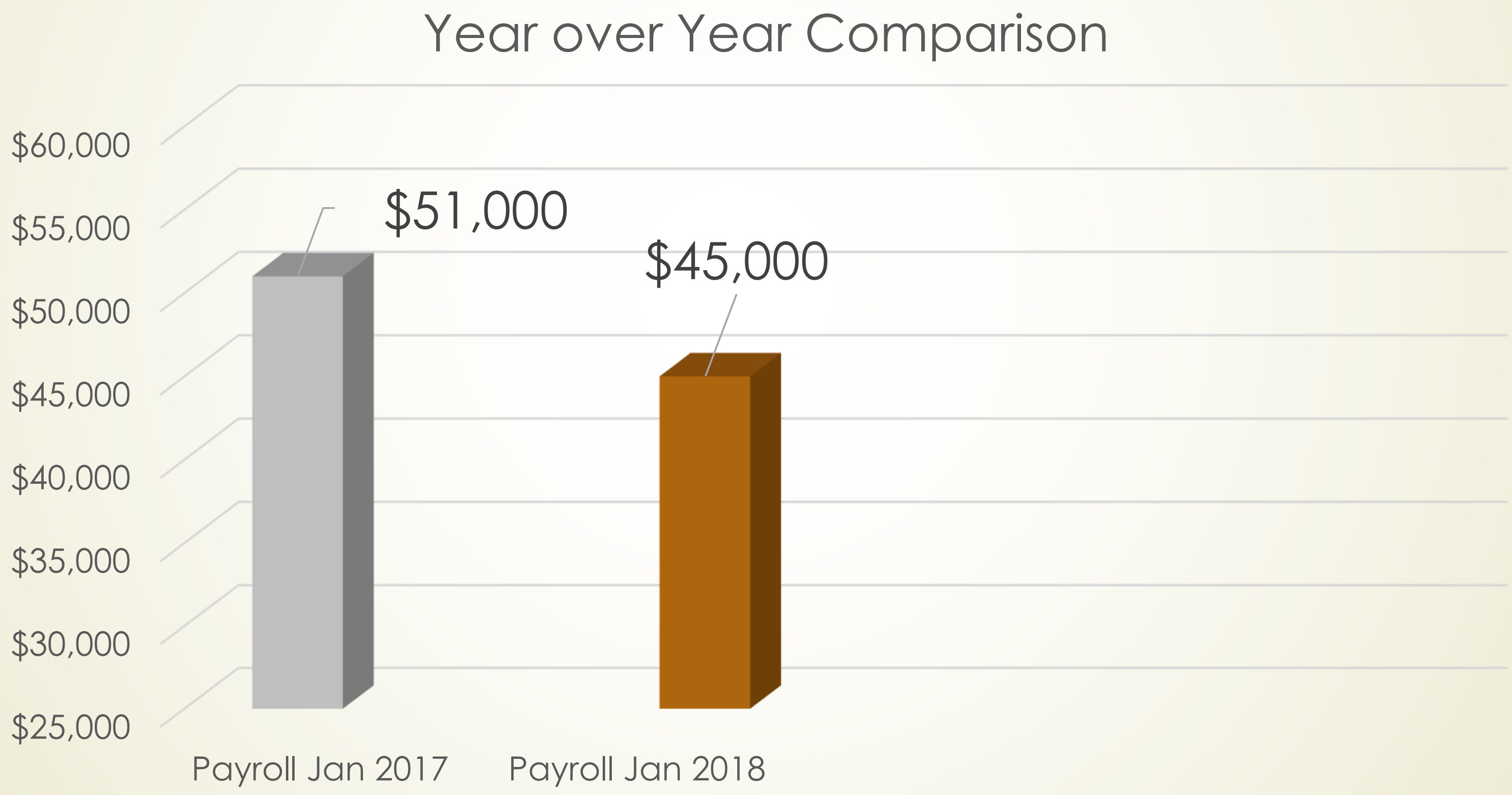
Where we were as an Organization

- Reduced ability of the Haven board to govern.
- Poor financial practices; poor functioning of Controller's office & function.
- Lack of communication of financial position to board members.
- Use of capital campaign funds in operations.
- Severe lack of rental properties oversight.
- Individual ministry governance issues.
- Poor staff morale.
- Internal staff conflicts.

The Restructuring, so far

- Combined job responsibilities and eliminated positions; Employee count went from 64 to 52 (current level).
  - Many of these positions were part-time child-care employees.
  - Also included restructuring our administrative staff and Exec. Director.
- Ended Employee Cell-Phone Plan; (Saving thousands monthly).
- Right-sized the Jail Ministry; Support enlisted from the Faith Community.
- Brought in six new board members; board now at twelve members.
- Hired a new Controller; Began the Audit process for FY's 2016 – '18.
- Evaluated Emily Andrus House as the right site for Women's Life Recovery.
- BUILT CASH FLOW MODELS FOR MONTHLY REVENUES and EXPENSES.
- Created the FY2019 Budget and extended it out to a five year plan.
- Strategic Planning Session with our board, Saturday, March 3, 2018.

Change in Average Bi-weekly Payroll – Haven of Rest Ministries



Middle of FY 2018 – Given the changes, how are we tracking overall?

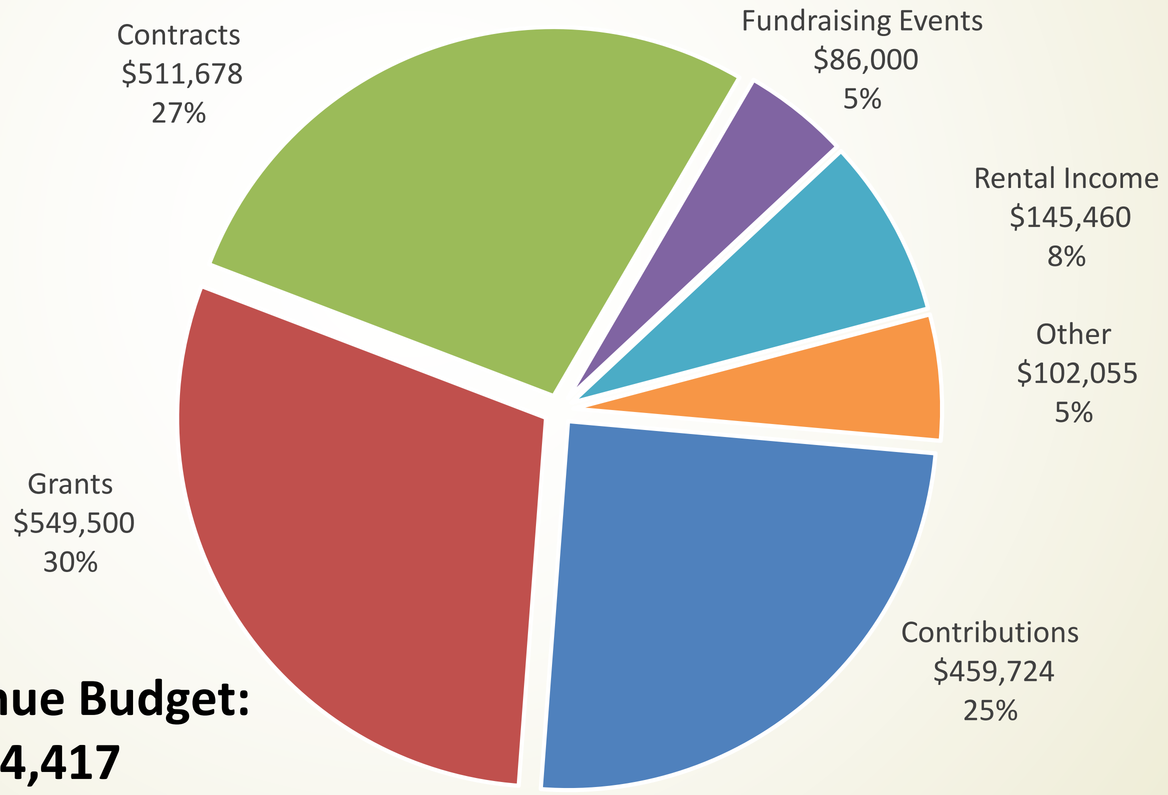
July 1, 2017 – Dec. 31, 2017:

Haven of Rest	Budget	Actual	Variance
Revenue	$969,389	$1,016,731	+ $47,342
Expense	$913,864	$935,022	($21,158)
NET	$55,525	$81,709	+ $26,184

Revenue Variance: +$40,000 in Christmas giving over budget; Strong giving season; Rental Income also above expectation.

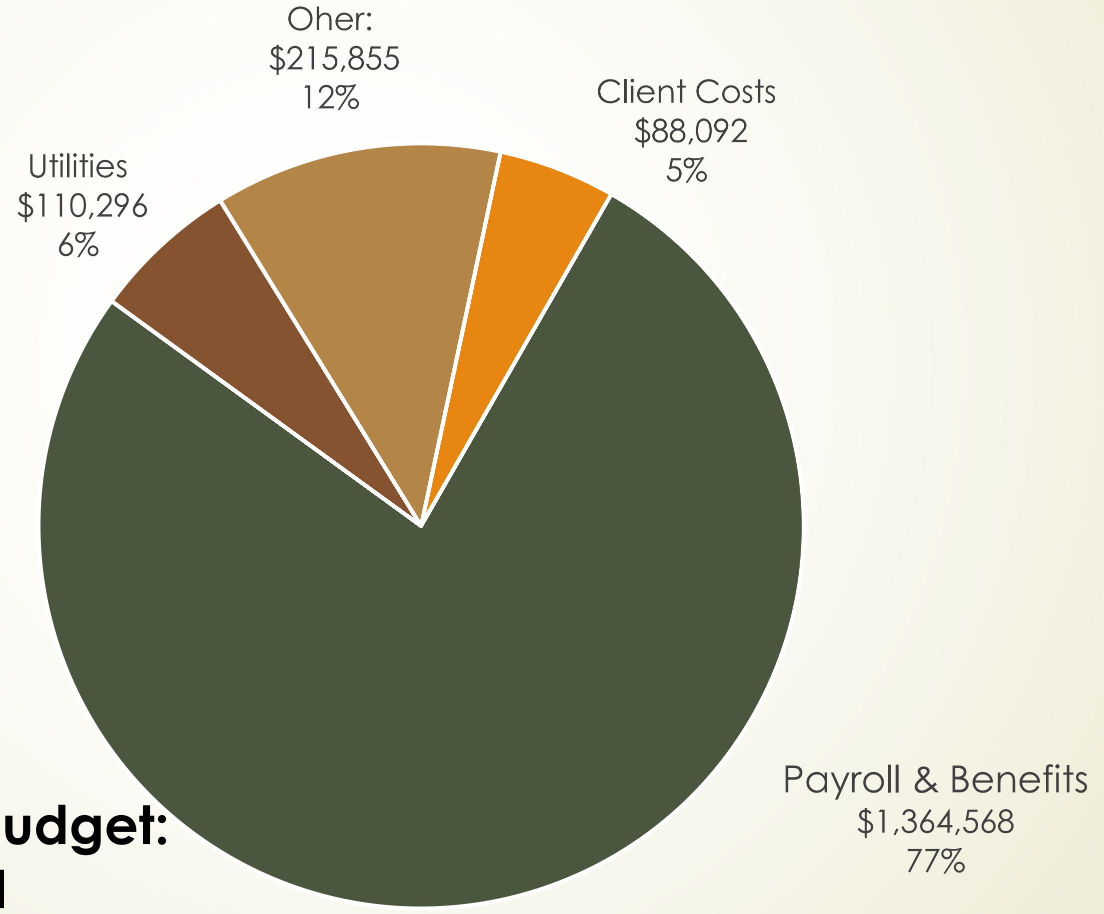
Expense Variance: + $20k in Utilities expense; +20k in health insurance costs; offset by a positive payroll variance (payroll under budget); under budget in client care costs (mostly purchases of food and supplies).

FY2019 Projected Revenue
Haven of Rest Ministries



Total Revenue Budget:
$1,854,417

FY2019 Projected Expenses
Haven of Rest Ministries



Total Expense Budget:
$1,778,811

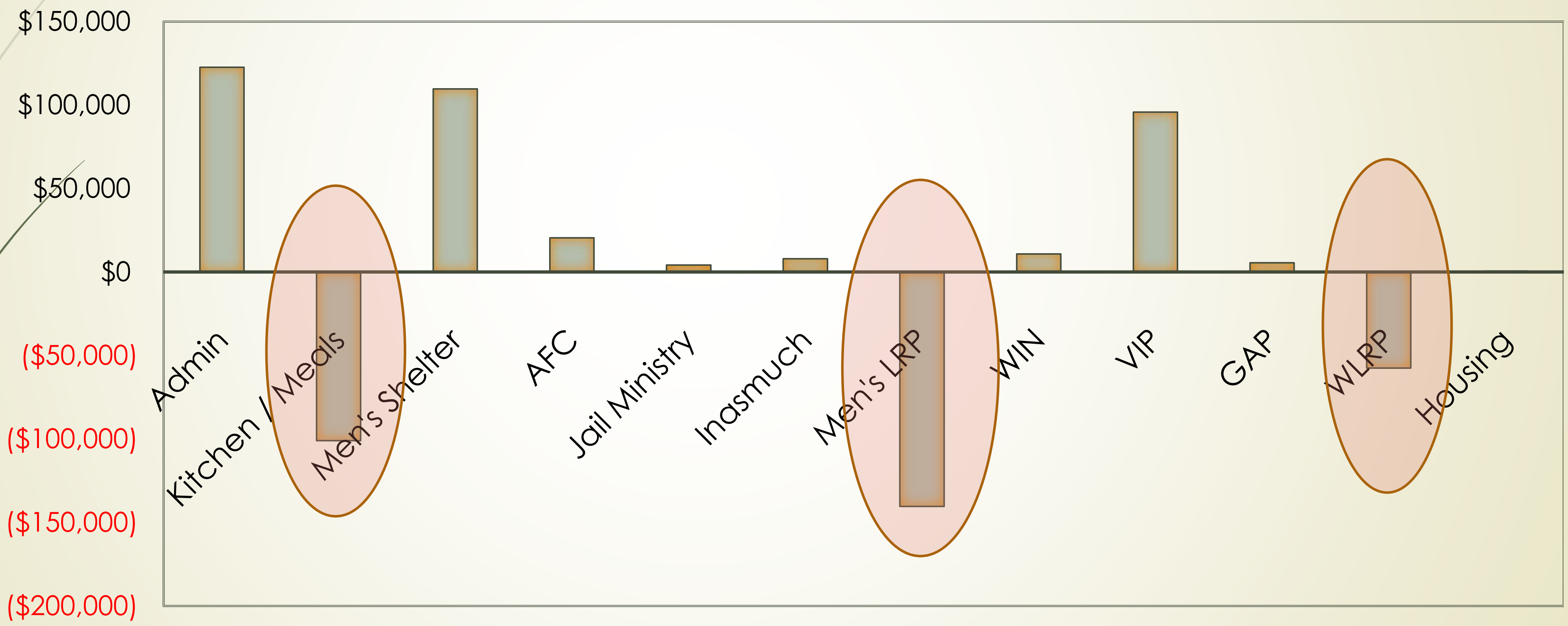
Financial Sustainability: Risks

- A change in funding from committed funders such as United Way, which supports six of the Haven's ministries for $212,500 annually (12% of our annual funding).
- Other contracts such as Salvation Army ($306,000 annually), or our Veteran's Program;
- Risks to annual giving from donors ($370,000 annually).
- Risk to HUD Dollars ($156,000) which are supporting Men's Life Recovery and our WIN Program.
- ** Physical cost of maintaining our building; Façade repair.**
- Health Insurance Costs.

Financial Sustainability: Opportunities

- Our Veteran's Program Contract Re-opens this year; The current per-diem we get from the VA is one of the lowest in the State of Michigan, yet our ***VIP Program*** results are some of the best in the State.
  - We will be asking for an immediate increase, and also a stepped increase over next five years.
  - Annual contract size right now = $232,000, although we are budgeted (and billing regularly) for about $216,000.
  - Averaging 370 bednights per month, an increase of $5 per bednight would be an $1,850 per month increase (approximately).
- Restructuring HR, Benefits through AccessPoint.
- Installation of an inter-office network, moving data to the Cloud.
- GL System revamp, moving to Quickbooks. (Fiscal Year 2019)
- Faster Payment from Salvation Army (Monthly contract payments).
- Moving Women's Life Recovery to a building provided to us essentially for free.
- Opportunities for grant applications to local funders as needed.

Haven of Rest - Ministry by Ministry Net Projected Results (FY2019 Budget)



Projected Net for the fiscal year 2019: $75,600

Balance Sheet Repair

- Current Cash Level target $100,000. Not there yet, but cash balances positive.
- Current Debt Levels: $227,000.
  - BC Community Foundation $40,000   ($10,000 has been paid down on this).
  - Fifth / Third Bank LOC: $100,000   (The Haven's working LOC, fully borrowed).

    (The LOC has been rolled over to expire March 2019).
  - Chemical Bank: $87,000 (A mortgage against the Haven's rental properties).
- An agreement with a local buyer has been reached to sell the rental properties as a group, at a price that will retire the mortgage debt and add roughly $10,000 to $12,000 to the Haven's cash reserves.
- Payoff of remaining debt is on schedule to happen with proceeds of operations by end of year FY2020 (June 30, 2020).
  - BCCF to be repaid in full by November 2018. ($5,000 per month).
- Being Debt Free is a stated strategic goal of the Haven's board.

Capital Campaign and building project

- All funds related to the Haven's Capital Campaign have been reconciled by Plante-Moran and accounted for in a dedicated account.
  - This savings account is <u>separate</u> from the Haven's operating account.
  - This account is 100% funded.
  - The current balance of over $90,000 is dedicated to "Phase II" of construction.
  - Phase II is contemplated at a total cost of $1.2 million.
  - Phase II is being reviewed by the board in light of current financial condition.
  - Remaining commitments to the Capital Campaign are approximately $180,000.
  - If it were deemed to be prudent to move forward this year, the Haven can apply for a grant through Federal Home Loan Bank of Pittsburgh for up to $650,000 in August of this year. This is a very large question mark.
  - The Haven has $280 - $300k remaining to raise for completion of this project, and may benefit by delaying timing of this project until a more financially stable space is achieved organizationally.

In Summary:

- The Haven is financially in a “repair mode” and getting stronger; Challenges remain. Financial sustainability is the goal.
- Our bills are all current; we have cash in the bank.
- No chance we will have to shut our doors.
- No change to our Christ-centered mission to serve the homeless and vulnerable of our community.
- VERY BIG CHANGES in the way we manage our business.
- A Five year plan for financial sustainability has been created and is being implemented, managed and adjusted as necessary.
- Operational Debt is being paid off; We are on track to potentially debt free by June 30, 2020.
- Risks and Opportunities are being recognized and planned for.

Current Needs at the Haven

- Funding for Men's and Women's Life Recovery Programs. Up to $200,000 annually. These programs have lost ground in the last several years. These programs are critical to this community.
- Support for the Haven's meals ministry, which costs us in excess of $100,000 per year over the amount of support it receives. This is a basic need of people.
- The coming one-time expense of building façade repairs will cost approximately $50,000. This will happen this Spring & Summer (2018).
- A desire to see our lowest paid hourly employees receiving $10 / hour. (Current lowest tier is $9.40 per hour).
- Our next big fundraising event is the Haven's Roof Sit on WBCK – two days on the radio and all over the city, to benefit the Inasmuch House.

THE Haven

Giving Hope to the Homeless Since 1956

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~QUESTIONS~

Haven of Rest
Board of Directors, March 2018

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