

## **Friendship Shelter Approved 2024 Budget**

### **Background and Goals**

The 2024 Friendship Shelter Draft Budget was a challenge to develop and understand as FSI incorporates new program resources while striving to ensure that its administrative infrastructure is appropriately sized to support an increasingly complex organization with funding sources that place unprecedented demands on compliance, finance and technology. Key issues in developing this budget included:

#### **Supporting Administrative Growth**

Five years ago, in January 2019, we adopted a \$4.8 million budget. In 2024, we are anticipating a \$13.3M budget. This growth is fueled by a 315% increase in program revenue. Every dollar of that revenue carries with it administrative requirements (financial, compliance, human resources, etc). During this same period, we increased our administrative budget from \$875K in 2019 to \$1.5M in 2024 (just a 71% increase). We worry that we have not increased administrative spending at the rate necessary to incorporate the program growth – but program funding typically provides, at most, 10% administrative support.

Fundraising can help with this burden, but we recognize it is unrealistic to expect fundraising to increase as sharply as program revenue has grown. While our fundraising projection has increased 80% during this same five-year period, from \$1M in 2019 to \$1.8M in our current budget, our administrative needs are greater than our fundraising can currently support.

#### **Unfunded program needs**

Even with the sharp program growth trend, most programs continue to operate at losses that must also be made up with fundraising dollars. Direct program management costs (not considered administrative) make up the biggest portion of this, but in general nearly every program creates a \$50-\$150K gap that needs to be filled with private support.

#### **Challenges and Opportunities in Fundraising**

For all of the challenges we encountered this year related to reaching and communicating with our individual donors, the year ended well and we felt confident in projecting fundraising growth. We are adding a second, more social event toward the end of the year to mimic the impact of our previous fundraising gala without its hefty cost. We are encouraged by the ongoing growth of our leadership giving program and eager to continue to nurture that support. We have encouraging feedback from one of our foundation partners that a special gift toward our Home For Good campaign that

will provide a needed boost as other foundations shift their funding priorities. We anticipate adding an executive assistant to provide much-needed administrative support to our board, fundraising and senior leadership functions. And, we turned lemons into lemonade by reducing planned mailing and printing expenses after realizing that direct mail isn't having the reach that it used to provide.

### **Cash Management**

When non-cash expenses are added back, the budget is cash-positive by nearly \$55K. However, we will be spending cash received in 2023 on renovations for the La Vista Inn motel project. Overall, as our budget increases our day-to-day cash needs also increase, and we are faced with ongoing cash flow concerns; cash flow projections place cash on hand under the minimum reserve of 1.2 million every month but January. Our \$500K line of credit is a cushion available if needed. For this reason, we have limited capitalized expenses that we would have otherwise scheduled for this year, including \$31K in networking/technology upgrades and \$41K in renovations to Henderson House. We hope to seek targeted funding for these initiatives.

### **Employee Compensation, Equity and Well-Being**

You may recall that last year, we succeeded in raising wages across the board with a focus on entry-level compensation. Importantly, we also resisted increasing employee caseloads or other work responsibilities to afford these increases to avoid sacrificing employee well-being. This year, we had hoped to fund a 4% increase in compensation overall. And, we had hoped – working at the encouragement of board leadership – to address senior leadership compensation levels. While we were able to increase compensation by 3% across all positions, we were unable to fully meet our goals in this area. We also chose to defer training and conference attendance that we had hoped to include.

### **Making Room for Growth**

In December alone, we added more than 20 employees due to program growth. Many of these program employees are based at the administrative office as programs like regional care coordination and enhanced case management do not tie to specific sites. These employees benefit from time in the office together for case conferencing, must have secure, dedicated network connectivity for HIPAA compliance, and the leaders in these programs need private space for handling client and employee issues. All of this creates an urgent need for more office space and for space that is differently configured. Fortunately, there is available space adjacent to our current administrative offices that can be configured to suit our needs, and that space (along with furniture and equipment) is included in this budget.

## **Process**

Friendship Shelter's 2024 budget process builds on our finance and program teams' work over the last several years to ensure that budgeting accommodates our organization's increasingly complex funding structure. Program revenue and expenses, administrative expenses, and fundraising and grant revenue are all analyzed line-by-line and month-by-month. Fundraising projections were made independent of overall organizational expenses (in other words, we did not create fundraising goals to fix the budget).

FRIENDSHIP SHELTER, INC.  
2024 BUDGET  
SUMMARY

2024 Budget Summary								
	ADMIN	PROGRAM			FUNDRAISING			
	Admin Total	Program Management Total	Programs Total	Projects Total	Special Events & All Giving	TOTAL 2024 Budget	Actuals as of Dec 31, 2023	Incr / (Decr) vs 2023
# Beds	-	-	197	-	-	197	185	12
REVENUE								
Individual Giving	-	-	-	-	1,200,000	1,200,000	1,046,309	153,691
Foundation and Corporate Grants	-	-	-	-	635,500	635,500	4,301,117	(3,665,617)
Client Rents	-	-	216,050	-	-	216,050	202,300	13,750
Other Income (Laundry and Interest)	100,650	-	592	-	-	101,242	34,809	66,433
Gov't Grants and Contributions	447,799	455,102	6,841,602	3,195,374	-	10,939,877	7,635,055	3,304,822
2024 Total Revenue	548,449	455,102	7,058,244	3,195,374	1,835,500	13,092,669	13,219,589	(126,921)
% of Total Revenue	4%	3%	54%	24%	14%	100%		
EXPENSE								
Employee Expense	1,130,928	1,189,001	4,017,426	1,528,484	-	7,865,839	5,850,044	2,015,795
Program Expense	1,050	-	726,399	694,373	15,000	1,436,822	702,464	734,358
Other Personnel	55,735	12,815	49,992	153,865	-	272,407	327,085	(54,678)
Non Personnel	52,575	22,389	133,536	44,395	-	252,894	267,003	(14,109)
Occupancy Expense	44,492	28,246	2,549,223	68,357	-	2,690,318	2,328,798	361,521
Travel & Meeting Expense	63,679	2,153	78,284	67,601	-	211,717	182,784	28,933
Depreciation	71,755	-	136,427	-	-	208,182	192,563	15,619
Interest	-	-	53,143	-	-	53,143	53,143	-
Misc Expense (taxes, gen. insurance, dues, development...)	112,219	22,500	104,637	33,143	35,500	307,999	307,593	406
2024 Total Expense	1,532,432	1,277,104	7,849,069	2,590,218	50,500	13,299,322	10,211,477	3,087,845
% of Total Expense	12%	9.60%	59.02%	19.48%	0.38%	100.00%		
2024 Net Income	(983,983)	(822,001)	(790,825)	605,156	1,785,000	(206,653)	3,008,113	(3,214,766)
add non-cash items								
+ depreciation	71,755	-	136,427	-	-	208,182	192,563	15,619
+ non-cash interest	-	-	53,143	-	-	53,143	53,143	-
2024 Operating Cash Flow	(912,228)	(822,001)	(601,255)	605,156	1,785,000	54,672	3,253,819	(3,199,147)

FRIENDSHIP SHELTER, INC.  
2024 BUDGET  
DETAILED

2024 Budget Detail																								
	ADMIN	PRGM SUPPORT	PROGRAMS											PROJECTS						FUNDRAISING		TOTAL 2024 Budget	Actuals as of Dec 31, 2023	Incr / (Decr) vs 2023
	Admin	Program Management	BHP	ASL - Emergency Shelter w/ Day Pgm	Permanent Housing	HUD PSH 1	HUD B1	HUD B2	Total HUD PSH	Henderson House (TAY Housing)	VDM	La Vista	Outreach	Coordinated Entry System (CES)	Project C	RRH	Regional Care Coord.	915 CalAIM	612 Special Events	711 All Giving				
# Beds			42	45		21	41	17	79	14	17										197	185	12	
REVENUE																								
Individual Giving	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	375,000	825,000	1,200,000	1,046,309	153,691	
Foundation and Corporate Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	635,500	635,500	4,301,117	(3,665,617)	
Client Rents						35,500	67,000	24,000	126,500	22,000	57,800	9,750		-	-	-	-	-	-	-	216,050	202,300	13,750	
Other Income (Laundry and Interest)	100,650	-	70	-	-	-	-	-	-	222	300		-	-	-	-	-	-	-	-	101,242	34,809	66,433	
Gov't Grants and Contributions	447,799	455,102	1,450,489	640,590	1,344,656	570,469	1,258,484	532,308	2,361,261	140,260	319,762	161,685	422,898	437,346	335	359,239	932,175	1,466,279	-	-	10,939,877	7,635,055	3,304,822	
2024 Total Revenue	548,449	455,102	1,450,559	640,590	1,344,656	605,969	1,325,484	556,308	2,487,761	162,482	377,862	171,435	422,898	437,346	335	359,239	932,175	1,466,279	375,000	1,460,500	13,092,669	13,219,589	(126,921)	
% of Total Revenue	0.04188977		3%	11%	5%	10%	5%	10%	4%	19%	1%	3%	1%	3%	0%	3%	7%	11%	3%	11%	100%			
EXPENSE																								
Employee Expense	1,130,928	1,189,001	667,512	661,091	1,331,339	183,681	195,715	78,923	458,320	28,357	272,400	136,860	461,548	264,921	-	59,581	634,971	569,010	-	-	7,865,839	5,850,044	2,015,795	
Program Expense	1,050	-	592,655	40,178	7,080	9,965	22,926	11,439	44,330	1,496	2,880	710	37,070	-	-	278,298	141,135	274,940	-	15,000	1,436,822	702,464	734,358	
Other Personnel	55,735	12,815	5,032	5,032	9,094	1,258	1,258	629	3,145	629	22,316	971	3,774	142,543	-	629	5,032	5,661	-	-	272,407	327,085	(54,678)	
Non Personnel	52,575	22,389	27,440	14,238	41,609	1,495	4,934	1,975	8,404	9,508	14,069	6,869	11,399	5,460	-	6,156	16,172	16,606	-	-	252,894	267,003	(14,109)	
Occupancy Expense	44,492	28,246	236,198	54,722	35,554	400,476	1,177,626	478,869	2,056,971	58,950	66,705	31,056	9,068	2,952	-	6,091	46,360	12,954	-	-	2,690,318	2,328,798	361,521	
Travel & Meeting Expense	63,679	2,153	11,394	14,654	16,084	7,757	8,498	3,034	19,288	4,654	9,769	1,748	693	744	35	5,859	14,239	46,724	-	-	211,717	182,784	28,933	
Depreciation	71,755	-	11,189	-	-	-	-	-	-	66,601	13,351	45,286	-	-	-	-	-	-	-	-	208,182	192,563	15,619	
Interest	-	-	-	-	-	-	-	-	-	53,143	-	-	-	-	-	-	-	-	-	-	53,143	53,143	-	
Misc Expense (taxes, gen. insurance, d	112,219	22,500	30,670	14,561	36,480	150	1,307	550	2,007	19,460	9,328	(15,163)	7,294	7,999	300	1,210	12,098	11,536	35,500	-	307,999	307,593	406	
2024 Total Expense	1,532,432	1,277,104	1,582,090	804,477	1,477,239	604,781	1,412,265	575,420	2,592,465	242,799	410,818	208,337	530,845	424,619	335	357,824	870,007	937,432	35,500	15,000	13,299,322	10,211,477	3,087,845	
% of Total Expense	11.52%	9.60%	11.90%	6.05%	11.11%	4.55%	10.62%	4.33%	19.49%	1.83%	3.09%	1.57%	3.99%	3.19%	0.00%	2.69%	6.54%	7.05%	0.27%	0.11%	100.00%			
2024 Net Income	(983,983)	(822,001)	(131,531)	(163,886)	(132,583)	1,189	(86,781)	(19,112)	(104,704)	(80,317)	(32,955)	(36,902)	(107,947)	12,727	-	1,415	62,168	528,847	339,500	1,445,500	(206,653)	3,008,113	(3,214,766)	
add non-cash items																								
+ depreciation	71,755	-	11,189	-	-	-	-	-	-	66,601	13,351	45,286	-	-	-	-	-	-	-	-	208,182	192,563	15,619	
+ non-cash interest	-	-	-	-	-	-	-	-	-	53,143	-	-	-	-	-	-	-	-	-	-	53,143	53,143	-	
+ Reduction in Grant A/R	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2024 Operating Cash Flow	(912,228)	(822,001)	(120,342)	(163,886)	(132,583)	1,189	(86,781)	(19,112)	(104,704)	39,427	(19,604)		(107,947)	12,727	-	1,415	62,168	528,847	339,500	1,445,500	54,672	3,253,819	(3,199,147)	