



BOARD OF DIRECTORS MEETING

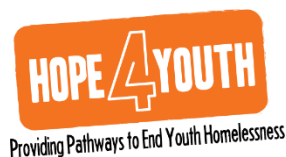
Monday, November 23rd, 2020
5 – 7:00pm
Meeting Location: Virtual/Call In

AGENDA	TIME
• Call to Order (Stephen Spears)	5:00p
• Welcome/Introductions (Stephen Spears)	5:01p
○ Paul Lenzmeier, New Board Member	
○ Don Phillips, New Board Member	
• Approve Agenda (Stephen Spears)	5:04p
• Approval of Minutes (Stephen Spears)	5:06p
• Executive Directors Report (Linda Bryant)	5:07p
○ Strategic Planning Process and Survey Reminder	
○ Personnel Update	
○ Hope's Closet	
○ Program Update	
• Financial Report (Mark Nolen)	5:17p
○ October Financials	
▪ PNL	
▪ Dashboard	
○ Budget FY2021	
○ Operating Reserve Policy	
• Program Report (Mark McNamer)	5:30p
- Program Score Card	
○ Hope Homes Update	
○ Street Outreach Update	
• Advancement Report (Julie Orlando)	5:35p
- Advancement Score Card	
- Volunteer Engagement	
• Committee Reports	5:40p
○ Strategic Planning Committee – Jennifer Stone	
○ Development Committee – Stephen Nash	

- Nominations Committee – Chris Warner
- Adjourn to Annual Board Meeting 5:50p

BOARD OF DIRECTORS ANNUAL MEETING AGENDA

- Annual Board Meeting – (Steven Spears) 5:50p
- Annual Review of the Bylaws – Marina Bressler 5:55p
 - 2021 Committee Responsibilities
- Retrospective of the Year (2020) 6:05p
 - ED Presentation
 - Board Sharing and Open Discussion
- Action Item Recap (Stephen Spears) 6:25p
 - Reminders:
 - Pledge Form
 - Conflict of Interest Form
 - Confidentiality Form
- Annual Meeting Adjourn (Stephen Spears) 6:30pm
 - January 2021 Board Meeting – 1/26/2021 5:00pm



Board of Directors Meeting Minutes

October 26, 2020

5:00-7:00 pm; via Zoom call

Board Members Present: Marina Bressler, Sean Haag, Leanne Matchen, Stephen Nash, Mark Nolen, Stephen Spears, Jennifer Stone (5:29 pm), Anna VanRueden, Chris Warner, Sue Woodard

Board Members Absent: none

Staff and Guests Present: Linda Bryant, Julie Fliflet, Nikki Calvin, Mark McNamer, Kristin VanHeel

The meeting was called to order at 5:02 pm by Stephen Spears, Chair of the Board.

Welcome/Introductions

Kristin Van Heel, Associate Director of Advancement, and Nikki Calvin, Community Engagement Manager were both welcomed and introduced to the Board. They were joining to present on a couple of topics related to development, events, and volunteers.

Approve Agenda

Motion made by Marina Bressler, seconded by Chris Warner and passed unanimously to approve the agenda with one change which was to move 'New Board Member Nominations' from the New Business section to the Nominations Committee Reports section of the meeting.

Approval of the Minutes

A motion was made by Stephen Nash, seconded by Mark Nolan and passed unanimously to approve the September 28, 2020 minutes.

Marina Bressler noted that as Secretary of the Board, she would like the minutes sent to her before they are included in the board packet.

Mission Moment-HOPE 4 Youth Volunteer Program

Nikki Calvin, our Community Engagement Manager gave the board a brief overview of the volunteer program and volunteer activities/opportunities across all aspects of the organization including Drop In Center, Hope Place, Hope's Closet, and Housing Heroes, as well as special events, special projects, and the donation center.

Executive Director Report

- Strategic Planning Process Update: Linda Bryant gave a brief overview of the Strategic Planning process that is underway, and a recap of the Oct 12th kickoff meeting. The Oct

12th kickoff meeting minutes were included in the packet and the meeting was recorded and is available to any board members that want to listen to it.

- Personnel Update: Linda Bryant gave the board an update on the hiring process for the positions that are currently open. They hope to have a Youth Coordinator and Administrative Assistant hired within a couple weeks, and the Program Manager by the end of November.
- Hope's Closet Update: the store reopened October 20th and will be open Tuesdays and Fridays from noon-7pm for the immediate future. Open hours will be continually evaluated and adjusted as we move forward depending on volunteer availability.
- Linda also noted that Brian Swanson, the H4Y founder would be giving an informational session via Zoom on November 4th from 4:30-5:30pm that will touch on the history of the organization and how it has evolved.

Financial Report

Julie Fliflet reviewed the highlights from the September financial dashboard that was included in the board packet. Financially H4Y continues to show a positive YTD net income, positive YTD variance to budget, and at the end of September we had a strong cash position with approximately 7.6 months cash on hand.

Program Report

Mark McNamer reviewed the program scorecard that was included in the board packet. There was a small increase in the number of youth served at the Drop In Center for the current month (total visits were 96 compared with 72 visits in August), but our low visit numbers continue to be an area of concern.

Advancement Report

Kristin VanHeel reviewed the advancement scorecard that was included in the board packet. She also noted that they are taking a look at the scorecard to find ways to enhance what is reported to provide better information – one suggestion made was have a range of lowest to highest for volunteer hours to give a sense if one or two “super volunteers” were responsible for a huge portion of the hours reported.

Committee Reports

Strategic Planning Committee: Jennifer Stone, Chair of the Strategic Planning Committee noted that the strategic planning update was covered in the Executive Director report.

Development Committee: Stephen Nash, Chair of the Development Committee gave a brief update on some of the recent and upcoming events noting that the Hunt 4 Hope event was very successful that happened in September and that the Out of the Cold campaign is coming up next month. They really need board members to participate and help recruit potential participants and sponsors for the event. There are no final plans for the Gala yet. They are looking at The Mill Site which is close to downtown, and they are still figuring out exactly how to hold the event in a COVID friendly way. Stephen also mentioned plans for an iHeart media ad

campaign that would help promote the organization and the Out of the Cold campaign. The total cost of this promotion would be approximately \$10,000 and would include 176 ads across several different local radio stations, plus some bonus spots during the next 2 months. It also helped with getting H4Y as the charity partner of the State Fair Glow Holiday Festival for the night of December 28th at which \$2 from each ticket will benefit HOPE 4 Youth.

Nominations Committee: Sue Woodard, Past Chair of the Nominations Committee gave a brief overview of two new board member candidates being recommended for approval. Paul Lenzmeier and Don Phillips are both interested in serving on the board, and the nominations committee believes they would be great additions to the board. Paul Lenzmeier was recommended by Sheriff James Stuart and is the Commander of the Anoka County Patrol Division serving as “policy chief” for 8 communities in Anoka County. Don Phillips was recommended by Andrea Kish-Bailey our former Director of Advancement. He is the Chief Investment officer/Founder of Greater Midwest Financial Group and is a major donor and supporter of HOPE 4 Youth. Their resumes and additional information were sent to the board prior to the meeting.

Motion made by Sue Woodard, seconded by Jen Stone and passed unanimously to approve Paul Lenzmeier and Don Phillips for a 3-year term to the H4Y Board of Directors to start at the next board meeting in November 2020.

New Business

2020-2021 Board Meeting Schedule: The board received a schedule of all board and committee meetings for the upcoming year in the packet.

Board Member Pledge Form The board members were all asked to return the Board Member Pledge Form to Linda Bryant that was included in the board packet.

Action Item Recap

- minutes to Marina before they go into the board packet
- Linda will send out an invitation for the Brian Swanson zoom call
- Board members should return their pledge forms to Linda Bryant

Executive Session

The meeting was adjourned at 6:42pm to executive session.

Respectfully Submitted,
Julie Fliflet
Director of Finance & Administration

HOPE 4 Youth Financials

October 2020

Profit & Loss

Income	October Actual	YTD Actual	Annual Budget	Variance	Comments
Donations	\$27,078	\$604,263	\$711,000	-\$106,737	Oct 2019: \$18K
Special Events	\$0	\$308,306	\$389,000	-\$80,694	
Foundations/Grants	\$10,000	\$235,230	\$185,000	\$50,230	Oct; Anoka County \$10K
OEO Emergency Covid Funding	\$6,395	\$37,335	\$0	\$37,335	
Cares Act Forgivable Loan	\$15,340	\$155,132	\$0	\$155,132	
Earned Income	\$14,707	\$195,683	\$210,152	-\$14,469	store opened mid October
Investment Income	\$609	\$10,736	\$5,280	-\$9,014	
Assets Released Fr Restriction	\$20,802	\$238,908	\$207,936	\$30,972	OEO/Heartland/Pohlad
Total	\$94,931	\$1,785,592	\$1,708,368	\$62,755	

Previous 3 Month Avg \$105,027

Expenses

Payroll, Taxes and Benefits	\$68,871	\$953,785	\$1,040,223	-\$86,438	
Grants and Scholarships	\$0	\$572	\$2,400	-\$1,828	
Contract Services	\$11,247	\$185,173	\$162,700	\$22,473	
Office Expenses	\$5,206	\$90,525	\$94,230	-\$3,706	
Facilities	\$11,671	\$170,292	\$164,249	\$6,043	
Special Events Expense	\$0	\$43,498	\$56,100	-\$12,602	
Store Supplies	\$350	\$1,967	\$4,320	-\$2,353	
Travel and Meals	\$190	\$6,656	\$13,090	-\$6,434	
Staff & Volunteer Expense	\$423	\$14,739	\$21,440	-\$6,701	
Program Expenses	\$2,903	\$28,987	\$24,360	\$4,627	
Promotions & Marketing	\$579	\$14,423	\$23,400	-\$8,977	
Insurance	\$1,636	\$25,781	\$21,911	\$3,870	
Licenses & Fees	\$381	\$15,336	\$18,720	-\$3,384	
Depreciation Expense	\$3,892	\$53,161	\$48,668	\$4,493	
Total	\$107,349	\$1,604,894	\$1,695,813	-\$90,919	

Previous 3 Month Avg \$127,632

Net Income -\$12,418 \$180,697 \$12,555 \$153,674

Previous 3 Month Avg -\$22,605

Cost Allocation

	Program	Administration	Development	Total
Actual YTD	77.7%	9.1%	13.2%	100%
Goal	> 70%	<12%	<18%	

Balance Sheet

	10/31/20	9/30/20	% Change	Comments
Assets				
Current Assets	\$1,299,711	\$1,333,015		
Fixed Assets	\$1,649,426	\$1,653,318		
Longterm Receivable & Mutual Fund	\$250,845	\$251,181		
Total	\$3,199,983	\$3,237,514		
Liabilities & Equity				
Liabilities	\$500,032	\$551,511		
Equity W/ Donor Restriction	\$435,855	\$409,488		
Equity W/O Donor Restriction	\$2,276,515	\$2,081,059		
Net Income	-\$12,418	\$195,456		
Total	\$3,199,983	\$3,237,514		

Cash Flow

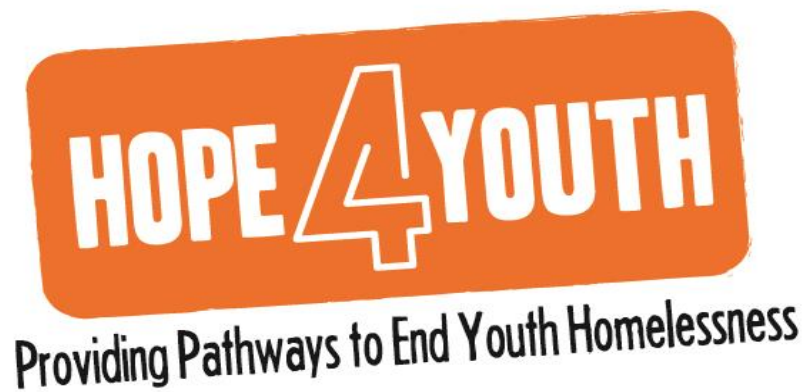
	10/31/2020	9/30/2020	8/31/2020
Available Cash	\$1,053,429	\$1,043,243	\$1,065,243
Average Monthly Expenses	\$140,484		

Cash Flow Based on average Expenses

*7.5 months

*using average/month

*GOAL: 3-6 Months



Budget Draft

Calendar Year 2021

(January 1, 2021-December 31, 2021)

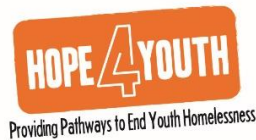
HOPE 4 Youth
Budget Calendar Year 2021

	FY2020	CalYr 2021	
	Budget	Budget	Variance
REVENUE			
Donations, Gifts, and Grants	953,934	955,000	1,066
Government Grants/Contracts	150,000	170,000	20,000
Program Service Revenue	125,012	158,920	33,908
Special Events, net	299,700	225,000	(74,700)
Store Sales	84,000	68,400	(15,600)
Investment & Other Income	6,420	14,200	7,780
TOTAL REVENUE	1,619,066	1,591,520	(27,546)
EXPENSE			
Payroll, Taxes, Benefits	1,040,223	1,051,440	11,217
Contracted Srvs & Professional Fees	160,235	124,980	(35,255)
Insurance	21,911	32,060	10,149
Building & Facilities Expense	174,089	167,810	(6,279)
Supplies & Equipment	20,729	9,270	(11,459)
Postage, Mailing, & Delivery	4,156	5,820	1,664
Staff, Board, & Volunteer Expense	37,200	31,440	(5,760)
Program Expenses	20,760	49,730	28,970
Printing & Promotion Expenses	17,625	16,950	(675)
Travel & Transportation	11,570	5,280	(6,290)
Licenses, Memberships, Dues, Fees	49,345	47,000	(2,345)
Depreciation Expense	48,668	44,170	(4,498)
TOTAL EXPENSE	1,606,511	1,585,950	(20,561)
NET SURPLUS(DEFICIT)	12,555	5,570	(6,985)

HOPE 4 Youth Budget Calendar Year 2021

11.9.20

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Budget Narrative Calendar Year 2021 (January 1, 2021 – December 31, 2021)

The Calendar Year 2021 Budget reflects:

Total Revenue	\$1,591,520
Total Expense	\$1,585,950
Net Surplus (Deficit)	\$ 5,570

COVID-19 Impact/Assumptions

We have analyzed the impacts of COVID-19 on the organization over the past 6-7 months. As we begin the next fiscal year, we know we will continue to be impacted by the pandemic and have included assumptions in the budget reflective of those impacts for the areas affected. The main areas affected by COVID-19 include the Hope's Closet resale boutique operations, special events, travel/mileage expenses, and office and meeting expenses. In looking at the detail and historical level of donations over the last 2 years, our donation and contribution revenue has not been negatively impacted by COVID-19 and remains consistent with prior years, other than the loss of special event revenue from the breakfast fundraiser that was cancelled. However, we have taken a conservative approach regarding contribution revenue for the upcoming year. We have not built in annual increases and have not included increased goals in the budget for next year as we have done in the past, even though an organization as young as H4Y would expect to see growth and increases in contributions each year. We have identified some opportunities to potentially increase funding, and most likely there will be some additional COVID-19 funding to tap into, even possibly a CARES Act PPP 2nd Round, but we have been conservative and have not built revenue into the budget in relation to these items. More specific information on each budget area/line item and the underlying assumptions is included in the narrative that follows.

Donations, Gifts, and Grants Revenue

The budgeted revenue for these contributions which includes individuals, civic & faith based organizations, and corporate/foundation giving was developed comparing FY19 actuals, FY20 budgeted amounts, and FY20 YTD amounts. The budgeted figures are relatively conservative, and do not include large increases over historical levels. In some cases, the budgeted revenue goals for next year are significantly less than the budgeted amounts for FY20. While it would generally be expected that a nonprofit organization like H4Y would build increases into the budget each fiscal year for growth in fundraising, we have taken a more conservative approach with next year's budget and have instead based it on current anticipated levels.

Analysis of the total budgeted Donations, Gifts, and Grants:

Total FY20 YTD	\$922,482
Total budgeted contributions	<u>\$955,000</u>
Variance	\$ 32,518

The total budgeted donations, gifts, and grants is \$32,518 more than the YTD total. We feel confident in this budget amount because we know that for Otto Bremer Trust (a \$50,000 per year annual funder) is not included in that total. We did not submit this year's grant request last winter in time for their May/June funding award cycle, and instead applied later in the year, which meant the funding decision for Otto Bremer came in November causing us to end up without Otto Bremer funding during the 12-month period of Oct19-Sept20. We were awarded \$55,000 (a \$5,000 increase over the previous year) so this more than offsets the variance/increase. In addition, H4Y was without a Development Director for 25% of the year so we would anticipate this having an impact on funding.

Government Grants/Contracts

The budgeted revenue for Government Grants/Contracts includes \$150,000 for the MN Dept of Human Services OEO grant. H4Y has received this funding for the last 4 years at this level, the current contract runs through June 30, 2021, and we anticipate a renewal for July 2021. We have also budgeted \$20,000 in general government grant funding to be secured during 2021 (this is not yet secured but we have a high probability of securing some additional government funding, most likely it would be Anoka County funding). We will also be requesting an increase in our OEO funding level as this amount has remained flat and has not increased for 4 years.

Program Service Revenue

The budgeted revenue for Program Service Revenue represents the rental income and supplemental services subsidy payments for the Hope Place housing units. Units can be funded by government subsidy, self-pay, or a combination of both. We have been diving into the rental income, specifically related to the Group Residential Housing subsidy payments and parameters with Anoka County and have identified some ways we can better maximize our earnings potential in this area; however, to be conservative we have not reflected an increase in revenue in the budget related to this potential funding.

Special Events, net revenue

The net revenue of \$225,000 from Special Events was developed with a conservative mindset. Last year's budget included large increases in special events revenue, but this year we have budgeted for total net revenue to be in line with past year's actual amounts raised as follows:

Gala	\$130,000 (FY19 \$133,000; FY20 \$119,000)
	<i>*budgeted \$130,000 because we can reduce expense by at least \$15,000</i>
4K	\$ 60,000 (FY19 \$56,000; FY20 \$54,000)
Hunt 4 Hope	\$ 20,000 (FY19 \$21,370)
Breakfast	\$ 15,000 (FY19 \$13,772)

Store Sales

The current budget draft includes an assumption that the store would be open (it just reopened on October 20, 2020) and will be open for the entire fiscal year, with an assumption that store sales would be half of the last 12 month's average through June (half the year) and then return to normal for the last half of the year.

Investment & Other Income

Investment & Other income is budgeted at similar income levels as was earned this fiscal year. We do not have large dollars invested so this number is pretty consistent for the organization.

Payroll, Taxes, and Benefits

The budgeted amount for payroll expenses is based on the following:

- Current staffing levels have been incorporated, combined with assumptions to replace the two Drop-In Center Youth Coordinators, the Drop-In Center Program Manager, and to hire an Administrative Assistant before the first of the year. Nikki Kalvin, our Events Specialist, has been promoted to the Community Engagement Manager position that was previously held by Monica Alley, and for the coming year, we do not plan to hire an additional Events Specialist. Having these positions combined is how the organization operated prior to this fiscal year, so we are returning to that model for the upcoming fiscal year and will evaluate how it goes.
- This budget draft also assumes we will not have the Excell Academy school-based prevention program next year, and would not have the part-time Prevention Specialist position associated with that program. This past year was a pilot year for this program. There were some challenges with this age group demographic, and H4Y did not secure any funding for the program. In addition, the COVID-19 pandemic has made school-based programming very difficult and uncertain. As a result, we are planning to use 2021 to plan, re-evaluate, and talk with school leaders in the Anoka-Hennepin School District on how best to structure and provide school-based programming, and how best we can work with schools to provide services for youth. Once we have a plan and new service delivery model, we will seek funding for those program services and hopefully enter 2022 with a new service delivery model and secured funding.
- A raise pool of approximately 3% has been included in the assumptions.
- Employee benefit estimates have been included that will allow H4Y to further develop its compensation and benefit offerings that began in 2020 and will be looking at getting a pension plan established, potential new health insurance offerings, an EAP, etc.

Overall, the budgeted total for payroll, taxes, and benefits is very similar when compared with the previous year's budget (\$1,040,000 this year verses \$1,051,440 for next year).

Head Count Comparison:	<u>FY20 Budget</u>	<u>2021 Budget</u>
Full-Time Employees	12	10
Part-Time Employees	8	8
Total Employees	20	18

Contracted Services & Professional Fees

The Contracted Services & Professional Fees budgeted line item totals \$124,980 for the coming year. It is \$35,000 less than previous year's budget mainly because the previous year included contracted services for an interim Executive Director. This line item includes costs for:

Contracted Services that are ongoing, representing expenses for HOPE 4 Youth annually every year {these are all budgeted at amounts equal to historical levels with small inflationary increases}:

- Audit and Legal Services
- IT Outsourcing
- Overnight Security at Hope Place
- Anoka County Workforce Job Training Services at Hope Place
- Website Design/Management

Specific One-Time Consultants budgeted for the coming year:

- Program Evaluation
- Strategic Planning guidance/assistance
- Diversity/Equity/Inclusion agency-wide initiatives

Insurance

The Insurance is budgeted at \$32,060 reflecting the estimated premiums for D&O, Property, Liability, Auto, Umbrella, and Workers Compensation. An estimated 7.5% premium increase was factored after speaking with our broker on what to expect in increases with our renewals. The budget also includes dollars to add policies related to Cyber/Internet Liability, Professional Liability, and Volunteer coverage, that were identified as coverage that the agency should be carrying that are not currently within the insurance coverage portfolio.

Building and Facilities Expense

The budgeted Building and Facilities Expense includes the leased facilities at the Drop-In Center and Hope's Closet, the mortgage interest on the owned buildings at Hope Place and Admin Office, and the other expenses of building operations including Utilities, Trash/Recycling, Telephone/Internet, Repairs & Maintenance, Cleaning, Association Fees at Admin Building, HVAC, Fire Systems, Snow Removal, and Miscellaneous Building Expenses.

The Drop-In Center lease is year to year, and the budget includes a normal inflationary annual increase comparable to what has been experienced each year historically.

The lease for Hope's Closet comes up for renewal at the end of December, and the budget assumption includes lease expense of approximately the same, whether that be at the current location or somewhere different.

This expense is lower than the previous year's budget mainly because the property H4Y owns is now setup tax exempt which has reduced our property tax expenses by almost \$6,000.

Supplies & Equipment

The budgeted expense for Supplies and Equipment includes costs for office supplies and equipment. There were some larger expenses associated with moving into the new Admin Office in past years, but the expenses are anticipated to be lower next year.

Postage, Mailing, & Delivery

The budgeted expense of \$5,820 for Postage, Mailing, and Delivery includes expenses for annual regular postage expense, expenses for a postage meter, and one fundraising appeal mailing during the year (most likely at year end).

Staff, Board, and Volunteer Expense

The Staff, Board, and Volunteer Expense budget includes expenses for:

- Staff, board, and volunteer meetings
- Volunteer and staff appreciation (including an annual volunteer appreciation event)
- Staff training, education, and development
- Staff cell phone expenses

The budget assumes there will be minimal expenses related to meetings during the first half of the year due to holding meetings virtually rather than in-person, with a return to a more normal meeting routine for the second half of the year, which is the main reason the expense is approximately \$5,700 lower than previous year's budget.

Program Expenses

The Program Expenses budget line item includes direct support for youth including housing stipends for youth in the Hope Homes program, youth transportation, pantry/living supplies and basic needs supports, youth programming/workshops/activities, and miscellaneous supplies needed for our programs. It is much higher than the previous year's budget, due to the housing supports associated with the Hope Homes program (those supports alone are \$24,000).

Printing & Promotion Expenses

Printing & Promotion budgeted expenses include costs for inhouse copying/printing, as well as external marketing and promotion expenses, and the budget includes similar items and amounts as in the past year.

Travel & Transportation

The Travel & Transportation budgeted expenses include costs for staff mileage reimbursement as well as the operating expenses for the agency van like gas, license tabs, and repairs/maintenance. There has been a drop in mileage reimbursement due to the COVID-19 pandemic, and the budget assumes that pattern will continue through the first half of the year, with a return to a more normal level for the second half of the year.

Licenses, Memberships, Dues, Fees

The budgeted line item for Licenses, Memberships, Dues, and Fees includes the annual fees for the databases used to track client, donor, and volunteer data. It also includes annual membership and dues costs (i.e. MACC membership, MN Council of Nonprofits membership, etc.), and the portal administration fees and merchant service fees associated with credit card transactions.

Depreciation Expense

The budgeted depreciation expense includes depreciation expense for our owned buildings (Hope Place and Admin Office), building and leasehold improvements at all facilities, and vehicle depreciation related to the agency van. It is similar to last fiscal year, as there have been no large fixed asset purchases, and just a few smaller items becoming fully depreciated next year.



MEMORANDUM

DATE: November 13, 2020

TO: HOPE 4 Youth Board of Directors

FROM: Finance Committee and Julie Fliflet, Director of Finance & Administration

RE: Operating Reserve Policy

The topic of cash on hand and adoption of a formal operating reserve was discussed a few months back at a previous Finance Committee meeting, and again at the Finance Committee meeting on November 11th. Attached is an Operating Reserve Policy that has been drafted for formal Board approval.

In general, H4Y has historically been in a strong financial position, has had sufficient cash (actually excess cash) to meet operating obligations, and has built up excess cash on hand; however, there is not currently a formal cash reserve policy established surrounding those excess cash balances so they just sit on the balance sheet with no designation. This does not reflect good practice to outside readers of our financial statements, and can be problematic when our financial statements/audits are requested from funders as we are applying for grants. The attached policy will help H4Y “get out shop in order” and will formalize practices and policies surrounding these organizational reserves.

First a couple points of clarification. This is not a policy that addresses **how** our funds are invested (checking, savings, money markets, stocks, bonds, etc). That is a good topic for the organization to explore and one the finance committee is planning to discuss in the next calendar year, but that is a separate and distinct issue and topic. Also adoption of this policy does not restrict access to this cash should the organization need it, and it does nothing to permanently tie the organizations hands surrounding the use of the cash. It simply accomplishes two things: it shows that the board is looking at the excess cash sitting on the organizations balance sheet and is practicing good fiduciary responsibility, planning, and oversight of those assets, and it places more oversight and policies on your Director of Finance & Administration in regards to cash reserves.

Operating Reserve Funds for nonprofit organizations act as an insurance policy to maintain financial solvency and mitigate risk. They are a sign of financial health and strength. They most often help weather unexpected problems such as the sudden loss of previously reliable funding, unusual decreases in special event revenue, unexpected losses in earned revenue, or large unexpected expenses. Reserves should be used to solve temporary problems, and should not be accessed routinely as part of “normal” operations.

Reserves like this can also be used to fund new activities and provide financial flexibility to take advantage of strategic opportunities to further the organization's mission like allowing the nonprofit to invest in program redesign or pilot an expansion, fund an innovation, or test out new program ideas.

The Operating Reserve Policy and associated reserve balances are meant to be reviewed annually, and adjustments can be made to these policies at any time in response to changes in any internal or external factors.

The establishment of a formal operating reserve will change the Balance Sheet presentation of these assets and will allow the organization to reflect these net assets as "Board Designated Operating Reserve" on the Balance Sheet. This is a sign of financial health, and an indication for readers of the financial statements that the board is monitoring these assets and that they have good fiduciary oversight in relation to them.

HOPE 4 Youth Reserve Policy

Adopted by the Board of Directors November 23, 2020

PURPOSE

The purpose of this Reserve Policy is to maintain an adequate level of unrestricted net assets to support any unforeseen cash shortfalls of the organization's day-to-day operations. With approval of the Board of Directors, the reserve may also be used for opportunities that may arise during the year for one-time, non-budgeted/non-recurring expenditures that will build long-term capacity or further the mission of the organization.

DEFINITIONS AND GOALS

The Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The fund will be established at an initial level of \$500,000 in December 2020, and all income generated from the invested funds will be maintained in the Reserve Fund and will grow the balance. The target level of the Reserve Fund will be to maintain 3-6 months annual operating expenses in the fund. The organization intends for any reserves that are used to be replenished within a reasonable period of time. The Reserve Fund balance will be evaluated annually and can be adjusted by the Board of Directors in response to internal and external changes.

ACCOUNTING FOR RESERVES

The Reserve Fund will be recorded in the financial statements as "Board Designated Operating Reserve". The Reserve Fund will be funded and maintained in a segregated bank account.

AUTHORITY TO USE RESERVES

Use of Funds for General Operating Cash

In the event the use of reserves is needed for general operating cash shortfalls, the Director of Finance and Administration will identify the need for access to reserve funds, and will prepare a request that will require analysis of the sufficiency of the current level of reserve funds, an evaluation of the time period for which funds will be required, and an estimated timeline and plan for replenishment of the funds. That request will be submitted and approved by the Executive Director. The use of reserves will be reported to the Board of Directors at their next scheduled meeting including the amount of funds used, and plans for replenishment to restore the reserve fund to the target amount.

Example regarding the above use: Cash becomes tight for H4Y, and is needed to make payroll. The Director of Finance & Administration will prepare a memo to for the Executive Director to detail why the funds are needed (i.e. to make payroll) and will include some analysis and forecast of when the organization's cash position is projected to be in a position to replenish the funds used. The Executive Director will approve the use of the Reserve Funds for this sort of urgent general operating expense, and then a report will be given to the Board at their next regularly scheduled meeting.

Use of Funds for Opportunity/Capacity Building Expenditure

In the event that the use of reserves is needed for non-budgeted, non-recurring expenses that will build long-term capacity or further the mission of the organization, the Director of Finance & Administration will prepare a formal request to the Board of Directors for approval that will include details surrounding the proposed expenditure, rationale for the request, and plans for replenishment of the reserves used. Reserve Funds cannot be used for opportunity/capacity building expenses unless approved by the Board of Directors.

Using funds for Opportunity/Capacity Building REQUIRES prior Board approval verses using funds for general operating expenses that allows use of the funds to respond to urgent cash shortfalls.

REPORTING AND MONITORING

The Director of Finance and Administration is responsible for ensuring that the Reserve Fund is maintained and used only as described in this policy, and will report the balance of the Reserve Fund to the Board of Directors on a regular basis in conjunction with the preparation of the financial statements and associated financial reports.

This fund will be its own line item on the face of the financial statements which will allow the Board to monitor its balance throughout the year. Including this requirement means there will be no risk of depletion of the fund without the board being informed. The reserve fund will be a separate line item on the financial statements with full transparency – it will not be hidden in or included in any other line item of the financial statements.

HOPE 4 Youth - Organizational Chart

