

NEW HORIZONS
FINANCE COMMITTEE MEETING

August 24, 2016

4:30 PM

PRESENT: **Finance Committee:** Stuart Jaffe (Chair), Glenn Baker, John D. Bunzel, Larry Diamond, Colin Donahue, Alan Goodstein, Barry Krowne, Ken Miles.
Staff: Cynthia Sewell, Roschell Ashley, Greg Santilli, Ron Silverman, Michelle Veals.

ABSENT: None.

1. **Call to Order** (Stuart Jaffe)

Committee Chairman Stuart Jaffe called the meeting to order at 4:40 PM.

2. **Review and Approval of July 27, 2016 Meeting Minutes** (Stuart Jaffe)

The minutes of the July 27, 2016 Finance Committee meeting were voted on and approved.

3. **Investment Subcommittee** (Alan Goodstein)

Investment Committee Chairman Alan Goodstein reported that investments were at \$2,745,000 in July, which is a little behind the benchmark. Changes are slowly being made. They are getting rid of alternatives. Year-to-date there has been a 6% return. We are not hitting the asset location benchmark. About 40% of the benchmark has been hit.

There are 7 months left on the contract with Boston Private. A meeting will be scheduled with investment advisor Tobi Mason. Mr. Goodstein said that he will check her availability for a meeting in November that will be held at his office.

President/CEO Sewell mentioned that the Granada Hills and Burbank branches of Boston Private Bank are being sold. She said that we must decide if we should stay with Boston Private or go with the buyers, Homestreet Bank. Only the commercial banking side is affected (2 CDs totaling \$297,000 and 1 checking account totaling about \$20,000). Homestreet Bank is headquartered in the state of Washington. Mr. Goodstein suggested shopping for where we can get the best rates. Mr. Baker asked if there are any maturities to be concerned with. No long term maturities, only 6 months terms. It was asked if there is any benefit with moving to Wells Fargo. Not necessarily. One of the two CD accounts was discussed to which only Sue Weitkamp's family donates. We should ask her opinion on this matter. She plans to try to make inroads for donations with Homestreet Bank. Mr. Larry Diamond suggested moving the \$20,000 in the checking account to the Endowment.

Mr. Baker and Mr. Diamond said that the Perpetual Board needs to meet. They agreed to meet annually.

We still have a \$197,000 in a CD and a 457 retirement account with Wells Fargo.

4. **July 2016 Financial Statements** (Greg Santilli)

CFO Greg Santilli reviewed the July 2016 Financial Statements Summary Review and Talking Points. Staffing is running significantly favorably to budget. COO Roschell Ashley explained the reasons for the vacancies in Residential. She said the issue is industry-wide. Overtime is required to cover shifts. More pay is being offered for working on the weekends.

a. **Financial Statements – Consolidated**

For the month of July, there was a consolidated net surplus of \$33K. Before depreciation the surplus is \$58K. The budget included a net deficit of \$69K, so the actual results are \$102K favorable to budget. These amounts are the same for YTD since July is the first month of the fiscal year.

b. **Breakdown of Separate HUD entities and New Horizons**

Cash flow ran \$33K negative year-to-date (all entities combined). All entities generated negative cash flow with the exception of Rainbow Horizons, Discovering Horizons and Reseda Horizons, which generated positive cash flow.

c. **Analysis of Variances**

- Government funding is within \$43K of budget – unfavorable.
- Medi-Cal revenue ran unfavorable to budget partially due to a client in one of the Residential group homes being hospitalized for the entire month of July.
- Workshop revenue ran unfavorable to budget by \$14K.
- Café revenue ran favorable to budget by \$2K.
- Year-to-date private revenue is \$2K unfavorable to budget due to \$2K unfavorable special events revenue.
- Wage and Personnel Expenses are favorable to budget in the amount of \$147K.
- Staff vacancies existed in Work Services, Achievement Center, MMDP, Employment Services, Community Living Services, Residential, Development, Travel Training and Administration.
- Facilities expenses ran favorable to budget in the amount of \$9K mainly due to favorable equipment, furniture and fixtures expense.

d. **Accounts Receivable Aging Report**

- Programs receivables over 90 days are down, Residential receivables over 90 days are up, Work Services receivables over 90 days are slightly up, and other categories showed minor increases.
- There has been 28% withholding from the Balboa home. The necessary steps have been completed to receive reimbursement. The required licensing paperwork is about to be submitted. It will take about 90 days to receive the funds from the state.
- All outstanding receivables are collectible.
- Due to the conversion of two homes to nursing facilities, the licensing changes have delayed payments.
- Weekly meetings are held to review A/R and discuss collection strategy.
- We have reached out to 7 liquidators for the Design-a-Room Group inventory. AJ Tools is interested in buying it. Design-a-Room Group owes \$5,300. Their leftover inventory that we have is worth \$50,000 on a retail basis.
- About \$1,200 is owed to us by a pharmaceutical company that went out of business. We are working to collect those funds.

5. **Operational Reports (Roschell Ashley)**

a. **Program Financial Drivers Report**

Work Services

- Work Services average daily attendance (ADA) was less than budgeted due to clients being out sick, on vacation or some just not showing up.

Achievement Center

- The Achievement Center had 88% attendance and ADA efficiency of 96%. ADA efficiency is the percentage of the Actual Attendance divided by the Total Available Attendance.

MMDP

- ADA was budgeted for 55, but the actual was 52. Still waiting on authorizations.

CLS

- We have been unable to bill for some clients. We will get caught up once they are in the system. Mileage and parking expenses are doing well. Staff has been encouraged to map out their trips more efficiently.

Residential

- There is one vacancy. Overtime is down.

Employment Services

- Job coaching hours have increased.
- Recent high school graduates and Workshop clients have been enrolling or transitioning into the Pathways program.
- Direct Placements will catch up when reported in August.

Sam's Café

- Two events were cancelled by Best Start, so the Café came in below budget.
- Bathroom renovations have not been scheduled yet. The \$25K grant that we received will not cover both bathrooms. The total cost to renovate both bathrooms is closer to \$40–50K. CEO Sewell said that this should be a priority.

b. Work Services Update

- Three Lollies will be moving to Diplomat Packaging in 60 days. This represents \$200,000 per year in revenue. Orders are growing and the time to get them out is shrinking. There was not a quality issue on the part of New Horizons. We received no payment until orders went out. Three Lollies owes us a lot of money. They do pay and so there will be no write-offs.
- We are working towards expediting the process of moving Workshop clients into the community.
- Two new contracts have been secured: one is an aerospace company (FMI Aeronautics) and the other is a makeup company. We will receive higher pay for these jobs even though they are lower in volume. We hope to bring in more jobs like these.

6. Financial Modeling

The financial model must be flexible. We want to include “what if” scenarios. The model is being created using historical data. It is about 70% complete. Wage compression still needs to be done.

Finance Committee member Barry Krowne has offered to bring in a professional to help pro bono on the financial modeling. CFO Greg Santilli let him know that we use Adaptive Planning software and asked if he is familiar with it.

Finance Committee member Glenn Baker said that he is able to sit in over the next few weeks to go through some “what if” scenarios.

7. Properties Update

a. Reseda Ranch

Construction continues. An inspector has been out. It is expected to be 60-90 days until completion. We've learned a lot and will be well-educated to do a project like this again. Mr. Santilli stated, however, that he would use all new business partners. There are HUD restrictions on what we can do with this property. It must remain low-income housing for the next 40 years.

8. Personnel Subcommittee

There is no litigation or other issues to report on.

9. **Adjournment** (Stuart Jaffe)

There being no further business the meeting was adjourned at 5:57 PM.

Minutes submitted by: Michelle Veals, Executive Assistant