

**4. Finance**

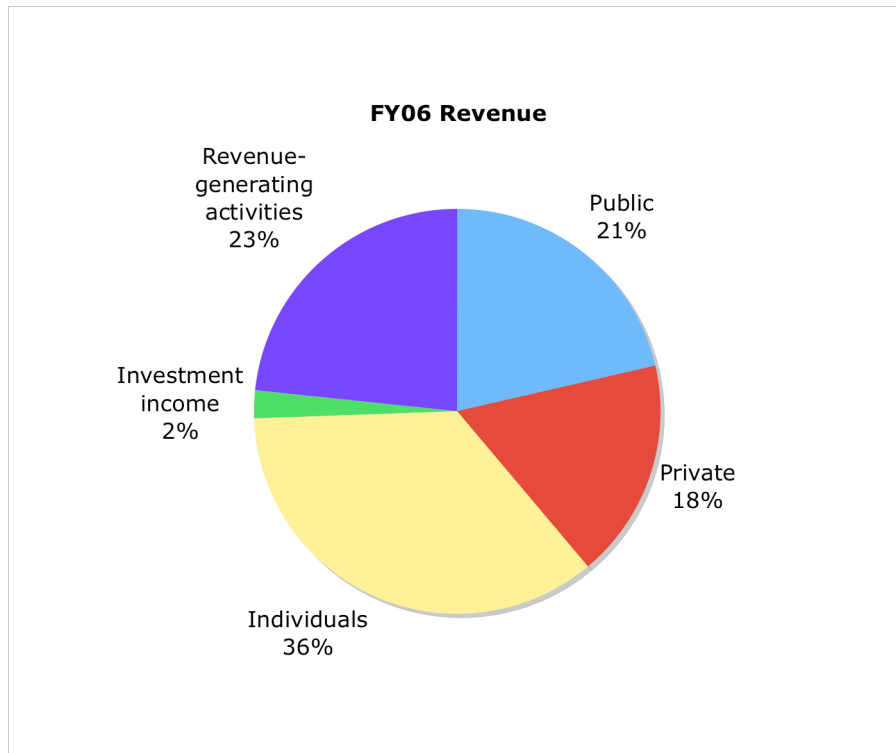
**A. Financial position**

*Through FY06 (7/1/05-6/30/06)*

ASC operates according to a June 30 fiscal year. Inflows and outflows for the past three years have been as follows:

	FY04	FY05	FY06
Revenue	\$227K	\$265K	\$307K
Expense	\$251K	\$249K	\$258K

ASC’s revenue is well-diversified among public and private sources, individuals, investment income, and revenue-generating activities:



No material problems were identified by the auditor in FY05 or FY06.

*Endowment / Investment Fund*

ASC has investments worth \$336K. While not formally considered an endowment, this represents a financial cushion and protection against the operational effects that periodic organizational crises can cause. It also represents an area of responsibility for which it is

not clear the organization is equipped. While this kind of endowment might normally trigger the need for an investment committee, ASC currently does not even have a Finance Committee or Treasurer. These assets must be managed better. The Finance Committee must prioritize creating a policy and procedures that govern the use of these funds.

*FY07 Operating Budget and Actuals*

The Board-approved FY07 operating budget is \$237K in revenue, and \$252K in expenses. It is unfortunate to have to project a net loss (albeit a small one) before the year even begins. Part of the decrease in projected revenue in FY07 (\$237K) from the actual revenue in FY06 (\$307K) is attributable to a windfall one-time individual bequest of \$61K in FY06. Projected FY07 expenses are consistent with the prior three years' actuals.

In terms of a snapshot of the current fiscal year, a detailed and summary profit and loss statements for roughly the first six months of FY07 (7/1/06-1/2/07) were provided. Compare this to a pro-rated version of the FY07 operating budget:

	Pro-rated projected	Six-month actual
Revenue	\$118K	\$86K
Expense	\$126K	\$132K
Net	-\$8K	-\$46

Midway through its fiscal year (as of January 2, 2007), ASC has a deficit of about \$46K. This deficit is attributable to two revenue categories: public contracts and fundraising. Two public contractors—the Town of Amherst and the MA Department of Mental Health—are behind on their payments. These payments are obligated by contracts, so that shortfall should correct itself by the end of the contract period. In terms of fundraising, the contributions associated with ASC's annual appeal letter are just arriving and being processed now. Anecdotal reports suggest that contributions will meet or exceed projections. The annual appeal letter historically brings in \$50-60K.

**Assessment:** ASC's financial position is strong. Finances have been managed pretty well, and the organization has a windfall reserve fund worth more than a full program year. The neglect of the reserve fund, and a lack of a Finance Committee and Treasurer, are ASC's obvious vulnerabilities right now.

**Recommendation:** Convening the Finance Committee and recruiting a Treasurer must be a top priority for the organization. Attending to the reserve fund is financial priority number two.

## B. Contracts

*Town of Amherst (July 1, 2006)*

This contract has two elements. The first is a standard boilerplate contract form. The second element is “Attachment A” which lists some deliverables specific to ASC. These deliverables are all reasonable and identical to previous years’ contracts (according to ASC Board members). But this year, in light of the controversy surrounding ASC, a third page of requirements was added to the contract.

This section of the contract is included here (see Appendix I), though with one caveat: This is not the final signed version. This version was amended so that #2 (hiring of ED) reads “2-4 months.” This change was necessary because of the things that had to happen before the search could begin (new board members, search committee, job description, etc.), and because of the need to proceed in a more thoughtful and inclusive manner generally. The Executive Director search process is underway, and the search committee hopes to make its recommendations to the full board in order for an offer to be made to a candidate by February 28<sup>th</sup> (see “Committees” section above for more details regarding the Executive Director Search Committee).

The other debated item in this section was the reference to “clinical supervision” in item #3 on that same page. There was ample confusion about what exactly that reference required. But it was resolved among Board members--if reluctantly--that as long as ASC thoroughly considered what it could and should provide along these lines, that decision would be acceptable to the Town and others.

No other contract agreements were made available.

**Assessment:** ASC’s current transformation process will meet and exceed the Town’s contractual requirements.

**Recommendation:** In order to satisfy its contract with the Town of Amherst, ASC should report back as soon as possible regarding progress made. Regarding the “clinical supervision” requirement, once it has done thorough work rebuilding the organization, ASC should reconvene with the Town to discuss a mutually agreeable solution.

## C. Fundraising

Fundraising capacity is one of ASC’s deficits right now. The recently departed Interim Co-Director had been handling these activities. This same person was also responsible for fundraising in her previous role, Assistant Director/ Volunteer Coordinator. Several Board members had tried to incorporate these activities into the job of the former Executive

Director, but it would seem that she did not possess the aptitude, and the effort seems to have resulted in some organizational tension.

The work required to maintain existing public, private, and individual funding sources had become fairly routinized and reliable, and was taken care of adequately. But ASC has not had the fundraising talent necessary to find new sources of funding. The new money that has come in has been bequests and other individual contribution windfalls. ASC provides a basic function for a population whose needs are intrinsically compelling and almost self-evident, and so a constant flow of cash and in-kind contributions can always be counted on.

Now that the Interim Co-Director who handled grantwriting and reporting has left the organization, staff and Board members have been scrambling to fill the void. As a result of the “scramble,” a well-written appeal letter was sent out with the word “revision” at the top, and “Dear \_\_\_\_\_,” below that. The letter was embarrassing for the Board, but there is no indication that the errors have adversely affected contributions. The organization has also had difficulty acknowledging every contribution.

To help address this organizational deficit on a permanent basis, fundraising is now a fundamental element of the Executive Director job description.

And until a new Executive Director is hired, ASC hired an additional Policy Development consultant on January 12th, at the rate of \$1500 per month. Her areas of expertise include: grantwriting, grants management, and program monitoring and evaluation. Her specific responsibilities include:

- Ensuring all financial contributions (of any size) are acknowledged in writing
- Satisfying all FY07 and FY08 reporting and submission requirements for existing funders
- Identifying new prospective funders
- Supporting the newly re-formed Fundraising and Communications Committee
- Producing ASC’s bi-annual newsletter

**Assessment:** While fundraising is stable at the moment, mistakes and substandard work is common. Many basic elements of a sound fundraising approach are missing.

**Recommendation:** The Fundraising and Communications Committee, with the involvement of the fundraising consultant, should immediately begin planning for the kinds of capacity it aspires to, including: timely acknowledgements of all financial contributions of any size; a funder database; new funders; and better communication with individual and institutional donors, consumers, the media, and other key stakeholders.

### D. Compensation

In FY06 (July 1, 2005 - June 30, 2006), the top six highest-paid employees were as follows (pre-tax, not including benefits):

1. \$34K, Exec. Dir.
2. \$25K, Asst. Dir.
3. \$18K, Fiscal Mgr.
4. \$18K, Clothing Coord.
5. \$12K, Pantry Coord.
6. \$8K, Cook

Currently (FY07), the staff is as follows:

1. Interim Dir., 37.5 hrs/wk, \$20/hr, \$39K annual\*
2. Interim Asst. Dir., 30 hrs/wk, \$14/hr, \$22K annual
3. Fiscal Mgr., 28 hrs/wk, \$12/hr, \$17K annual
4. Clothing Coord., 28 hrs/wk, \$12/hr, \$16K annual
5. Cook, 28 hrs/wk, \$12/hr, \$16K annual
6. Pantry Cord., 20 hrs/wk, \$12/hr, \$12K annual

\* The Interim Director has recently reduced his hours.

While this pay scale is certainly consistent with regional prevailing wages, it is not consistent with the notion of a living wage. This fact is particularly salient given ASC's anti-poverty mission. But at the same time, it may be ASC's egalitarian ethos that may have actually kept wages so low over the years. Meaning, it may be an unspoken element of ASC's approach that it would be wrong to profit too much in the midst of those who have so little.

ASC recently voted to increase the budget for Executive Director position, and to create parity with other ASC staff once decisions had been made about their status. This was partly motivated by an inspiring site visit to the Northampton Survival Center (NSC), and a presentation to the ASC Board by NSC's Board President. (See Appendix G for full NSC site visit report.)

**Assessment:** Until recently, ASC's practice was to pay wages that were too low to attract talent consistently. ASC has committed itself to higher salaries.

**Recommendation:** Expect more from staff that are paid more.

## F. Severance / retirement packages

Starting on September 11, 2006, after 29 years at ASC, the organization's former Executive Director began receiving payments toward an early retirement package. The package pays 80% of her annual health insurance premium (\$5,365) until she qualifies for a subsidized plan such as Medicare or MassHealth; and cash payments totaling \$20,000. The total estimated cost to ASC is \$57,500. Her departing salary was \$32,824 (after insurance contributions). This package was approved in 2005 and offered to the Executive Director. She declined the offer and stayed on with ASC. Then in 2006, after the organization became mired in controversy, the ASC Board (with a new Chair and many new members) agreed to offer the same package to the Executive Director once again. This time (September, 2006), she accepted the offer.

ASC's Board President has recommended that all staff should be offered small severance packages if, after decisions associated with this organizational transformation process are made, they decide they would like to leave or the Board decides they should leave.

**Assessment:** The severance and retirement packages seem fair and prudent.

**Recommendation:** The ASC Board should accept the Board President's severance recommendation.

## G. Fiscal controls and systems

Finances are managed on a day-to-day basis by ASC's Fiscal Manager (see "Staff" section above for more detail). He uses double-entry basis accounting software (Quickbooks) and is able to run up-to-date profit and loss statements. Checks are signed by a few approved Board members. Accounts are reviewed regularly, but on an informal basis, by ASC's former Treasurer. ASC's financial audit is conducted by an external CPA. The system seems to function at the moment, but the Fiscal Manager needs more support, and more checks and balances are needed.

**Assessment:** This system is vulnerable to IT failures and human error, but it seems to work surprisingly well at the moment.

**Recommendation:** The biggest priority, as stated elsewhere in this report, is to recruit a Treasurer and constitute a Finance Committee in order to delegate work and provide checks and balances.