



Finding the Way Through Data, Discipline & Dialogue

hopeFound, formerly known as the Friends of Shattuck Shelter, is dedicated to preventing and ending homelessness in the greater Boston area. Its services help men and women recover from addiction and find employment, housing, and hope for a better future. In 2005, hopeFound encountered some serious financial challenges that had the potential to put its mission at risk. The Board and newly hired Executive Director knew that major

changes were needed for hopeFound to survive and thrive. On its own road to recovery, hopeFound engaged Nonprofit Finance Fund (NFF) to help reveal the true story and reasons behind its financial situation. Over the next 5 years, hopeFound used NFF's findings as the spark to transform into a sustainable nonprofit achieving more social impact than ever before—all while weathering one of the worst recessions in decades.

1. Before: The Move from Crisis Mode to Planning

The 2005 analysis of five years of hopeFound's finances revealed an unsettling picture of instability. There were dangerously low levels of cash and liquid net assets readily available.

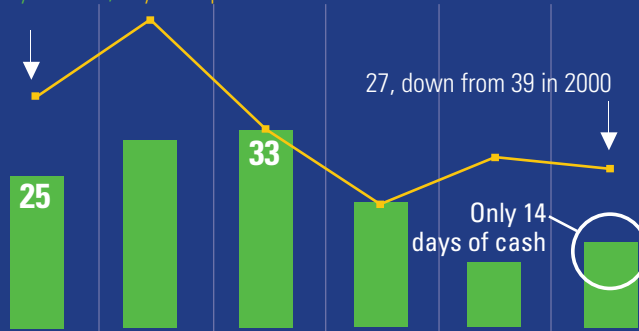
While cash was decreasing, receivables, property and equipment were all growing. This further increased pressure on hopeFound's need for cash. Other potential sources of cash to relieve this pressure had either dried up or were unavailable.

Short-term debt had grown to more than \$300,000 in four years. In each year, hopeFound had fully drawn on its line of credit, even after successfully negotiating an increase in the line from \$300,000 to \$350,000.

During its first two decades, hopeFound relied primarily on government cost reimbursement contracts, which didn't fully cover program or administrative expenses. Also, the first development director wasn't hired until 2001. Combined, these factors led to a structural deficit.

Low Liquidity & Cash

Days of Cash, Days of Liquid Net Assets



Decreasing Cash, Increasing Property & Equipment

Cash, Receivables, Property & Equipment, Other



2. Transforming Crisis Into Comprehension

On the foundation of the three principles to the right, NFF made the following recommendations:

- 1 Develop a strategy for building and managing liquidity, including the proper size and use of a line of credit
- 2 Investigate the viability of developing and funding Board-designated reserves
- 3 Examine opportunities for acquisitions of smaller, mission-compatible programs and nonprofits

Core Principles of Change

- 1 Let discipline and data drive decisions
- 2 Communicate often with both internal and external stakeholders, in a transparent and strategic way
- 3 Think holistically about how mission, capacity, and capital affect each other in the nonprofit enterprise

3. Gathering Data

With NFF's assessment as a base, hopeFound began gathering data on all aspects of mission, capacity, programs, and capital that affected its sustainability and impact. They explored government funding opportunities and potential acquisitions of smaller organizations and performed SWOT (strengths, weaknesses, opportunities and threats) analyses of the organization as a whole and its individual programs. They also engaged experts to identify changes and funding requirements necessary to support revenue goals. These goals were informed by a careful analysis of hopeFound's total cost of business, including capital expenditures and reserves.

What Do We Need to Assess?

- 1 What is the condition, use and ownership of facilities?
- 2 Can we grow contributions from current and potential donors?
- 3 Is hopeFound's brand effective?
- 4 What are hopeFound's technology resources and requirements?
- 5 What is our position in the marketplace?
- 6 Do all our programs best reflect our mission?
- 7 Do we have any other financing options and are we effectively using existing financial resources?

4. Developing an Action Plan

Set Goals to Address Critical Needs		Transform Goals Into Actions	
1	Increase contributed revenue by improving brand, establishing individual donor base, and developing a strategy for foundation support	→	Secured pro bono services from a national branding firm to analyze market identity and position, resulting in a new organization name. Also, agency developed a comprehensive fundraising and communication program to expand base of private supporters.
2	Pursue partnerships with other nonprofit organizations to access new housing resources	→	Applied aggressively for housing vouchers and attracting attendant case management, choosing not to focus on building affordable housing
3	Renegotiate or drop program contracts not core to agency mission and invest in services supported through fee for service contracts	→	Increased earned revenue by re-negotiating outdated contracts, moving from a cost-reimbursement to a fee-for-service structure and expanding the services offered
4	Investigate options regarding owned facilities	→	Contracted with a nonprofit housing agency to manage hopeFound's 12 unit SRO
5	Develop a system for cash management that includes, but is not limited to, appropriately sizing and using a line of credit	→	Launched capacity building campaign for investment in technological infrastructure and used line of credit for reserve liquidity
6	Restructure existing long- and short-term debt	→	Reallocated savings from lower interest expense to investment in staff training, salary, benefits. Paid off line of credit with savings

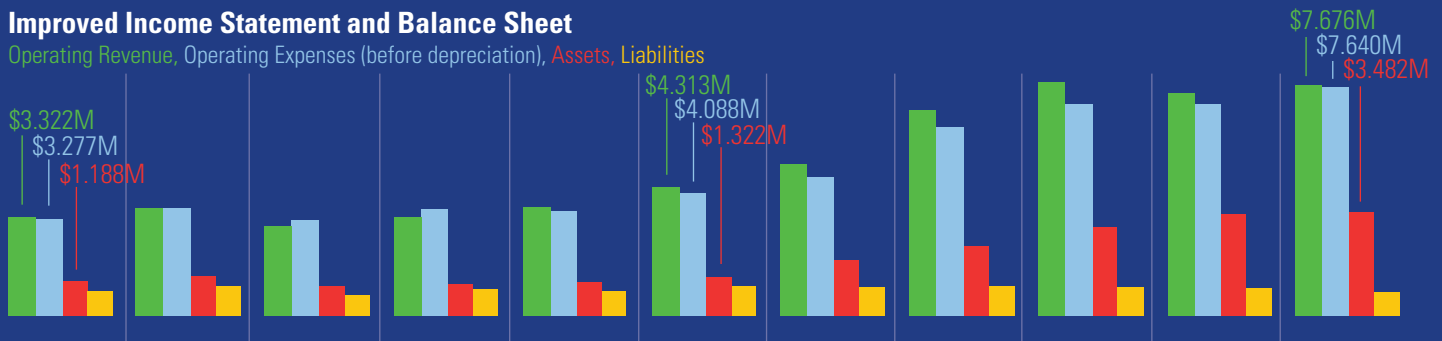
5. After: Financial Transformation and Growth

Five years later, a second NFF analysis revealed that hopeFound had drastically changed its financial course. Since 2000, hopeFound's balance sheet had tripled and its operating budget had more than doubled. In 2007, hopeFound's revenues covered operating expenses, debt principal payments, necessary purchases of property

& equipment, depreciation expense, and an annual contribution to savings. By enhancing its profitability, hopeFound also dramatically improved its liquidity. By 2009, it had paid down its line of credit and had more than 3 months of cash on hand for expenses.

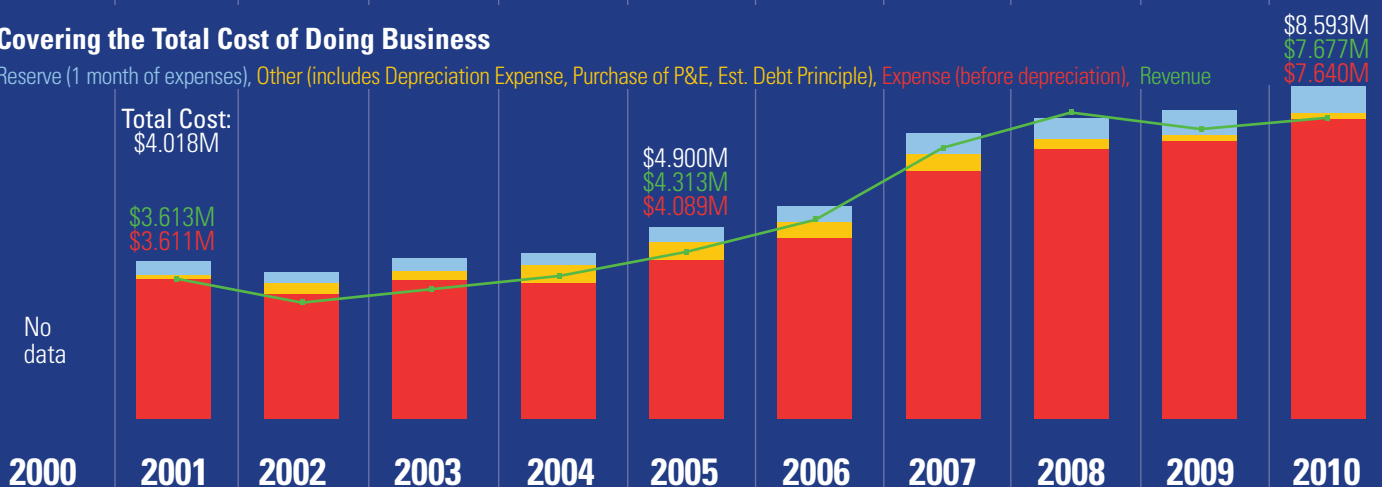
Improved Income Statement and Balance Sheet

Operating Revenue, Operating Expenses (before depreciation), Assets, Liabilities



Covering the Total Cost of Doing Business

Reserve (1 month of expenses), Other (includes Depreciation Expense, Purchase of P&E, Est. Debt Principle), Expense (before depreciation), Revenue



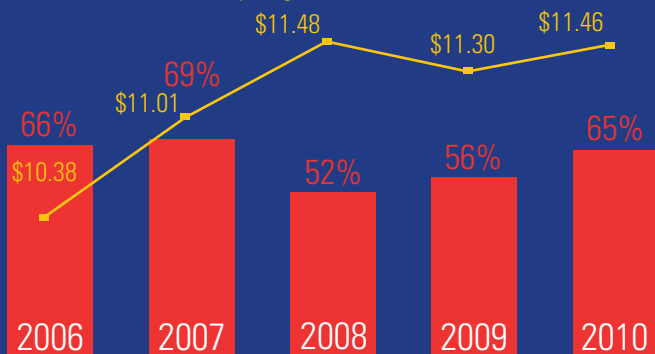
6. After: Deeper Social Impact

hopeFound accomplished a 180° financial turnaround. But what did this really mean for its mission and community?

- **More People with Homes:** From 2005 - 2010, hopeFound housed almost 600 people – without building new housing.
- **More People In Jobs:** From 2006 - 2010, hopeFound's IMPACT Employment Services achieved an average job placement rate of 60%, a rate exceeding the national benchmark. In 2009, IMPACT placed 220 people in jobs, with a third making more than Boston's living wage of \$12.62/hour.
- **More People Overcoming Addictions:** hopeFound's addiction treatment program serves over 1,000 men and women annually. 49% complete and graduate from the program, a rate exceeding the state average of 34%. 98% of graduates continue treatment.

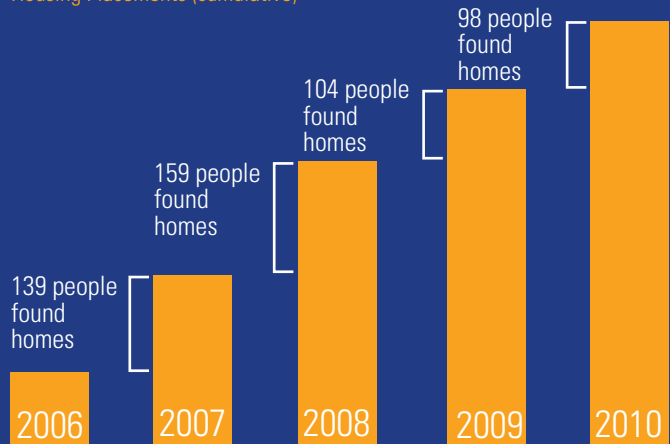
More People in Jobs

Job Placement Rate, Hourly Wage



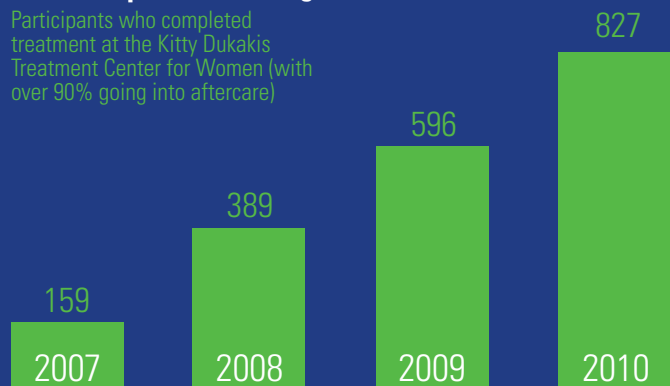
More People with Homes

Housing Placements (cumulative)



More People Overcoming Addictions

Participants who completed treatment at the Kitty Dukakis Treatment Center for Women (with over 90% going into aftercare)



7. Beyond 2010: Opportunities and Challenges

In response to the challenges of 2005, hopeFound implemented an action plan guided by data, discipline and dialogue. This allowed them to grow programs and deepen impact—all during a recession that continues to weaken the financial fabric of the nonprofit sector.

Going forward, hopeFound is not without challenges. Management has set its goals on improving fundraising to offset the costs and mitigate risks. By instituting an enterprise-wide culture of financial empowerment, hopeFound's Board and management are planning for the future with clear eyes and an optimistic, long-term vision.

About Nonprofit Finance Fund

Nonprofit Finance Fund (NFF) provides a continuum of financing, consulting, and advocacy services to nonprofits and funders nationwide. In addition to providing nonprofit loans and lines of credit, we organize financial training workshops, perform business analyses, and customize our

How Did hopeFound Create a Culture of Financial Empowerment?

Data	Created and used a dashboard of indicators that presented both current and historical performance on data and provided visibility into the drivers of stability
Discipline	Instituted regular Board Finance Committee meetings that identified problems early, planned for managing them, and acted on those plans.
Dialogue	Openly discussed reporting protocol for measuring progress and committed to a process that gave all board & management equal voices in decision-making

services to meet each client's needs. For funders, we provide support with structuring of philanthropic capital and program-related investments, manage capital for guided investment in programs, and provide advice and research to maximize the impact of grants. To learn more, visit us at nonprofitfinancefund.org.