

Treasurer's Report for the Year Ended 31 October 2019

Operating Costs

The operating costs for Ranfurly Homes for Children (the Home) for the year ended 31 October 2019 totalled \$821,556 (2018: \$684,715), which comprise:

	2019	2018
	\$	\$
Payroll	349,776	304,923
Food and supplies	125,966	133,643
School and tutorial fees	152,409	77,074
Repairs and maintenance	59,072	73,366
Utilities	54,234	55,132
Depreciation	29,566	29,566
Insurance	22,948	8,030
Transportation costs	11,049	2,076
Other	16,536	905
Total	<u>821,556</u>	<u>684,715</u>

Given the requirement for staffing twenty-four (24) hours per day, three hundred and sixty-five (365) days per year, payroll costs continue to be the principal costs of operating the Home. The typical staffing complement of the Home for the year ended 31 October 2019 averaged eleven (11) (2018: ten (10)) persons, including the administrator and assistant administrator, and was supplemented by an average of two (2) (2018: three (3)) persons provided and compensated by the Department of Social Services. In prior years, certain compensation levels were increased, with the primary objective of maintaining competitive compensation for the minimum quality of staff required. The increased levels of overtime experienced in recent prior years endured, as plans to professionally roster staff to maximise efficiency and contain costs associated with staffing deferred; such rostering is expected to better balance the working hours of our hardworking staff members.

Total expenses, excluding payroll costs, increased by approximately twenty-four percent (24.00%) over the prior year, and approximately forty percent (40.00%) over levels experienced in the years ended 31 December 2016, 2015 and 2014.

With the natural disaster, Hurricane Dorian, impacting Grand Bahama and Abaco in September 2019, certain children in those islands were welcomed by the Home, which led to increases in the staffing complement to circa thirty-one (31) persons, which included nursing, security and event coordinator personnel. The financial impact of increased staffing contributed to the increase in payroll costs over the corresponding year, but was limited to circa one (1) month of increased levels.

The average number of children in the Home prior to Hurricane Dorian was twenty-five (25), with temporary increases, however, with the welcoming of children impacted by Hurricane Dorian the average number of children increased to in excess of forty-three (43), with varying educational, medical and social needs.

Further, the significant increase in school and tutorial fees is the direct result of the increased costs associated with the additional children welcomed to the Home following Hurricane Dorian, as they required schooling and significant counselling, with external counselling costs included here.

As in prior years certain capital related projects, including renovations, are reflected in repairs and maintenance; the Home receives specific donations to cover such costs, which are included in donations from the public. Several such projects were undertaken to make the Home more accommodating for the increased number of children, and a significant portion of this was donated with the Home not having direct information on amounts expended.

For the purposes of audited financial statements, such capital related costs will be capitalised and the related donations deferred, and accordingly, there will be no net impact to the financial performance of the Home presented herein. Further, the financial information reported discloses the level of funding required to finance the daily operations of the Home and maintain the quality standard of its facilities.

However, it should be noted that during the year ended 31 October 2019, expenditure totalling \$161,000 was incurred in relation to the Transitional Home initiative; see below for donations in relation to the Transitional Home. Therefore, overall financial outlay for the year ended 31 October 2019, including operating costs above and expenditure in relation to the Transitional Home, totalled \$982,556.

As noted above, there were several anomalous increases during the year, and while certain costs require better allocation of petty cash expenses, which are being further analysed, the reallocations will not be material to the categories of expenses above and will be adjusted as necessary in the financial statements subject to some level of assurance. The Board of Directors, through its executive team, commenced an exercise to review of expenses to identify means of curtailing costs through better bulk spending and advanced planning, and taking into consideration alternative personnel resources better fit for purpose in achieving cost savings while maintaining or improving the quality of care for the children. Unfortunately, this exercise had to be deferred with the increase in children following Hurricane Dorian and will be resumed, as soon as it is determined whether the increase in children is permanent or temporary.

The costs of running the Home are principally fixed, with the exception of school and tutorial fees. Such costs are incurred pursuant to the policy of the Board of Directors of the Home to give all children the best opportunities to develop into successful and productive adults, which in part is through the enrollment in private schools, where possible. However, along with other behavioural initiatives, the Board of Directors will seek to ensure that such investment is being properly appreciated and utilised by the children, and the educational results are commensurate with the spending.

Funding the operating costs

Total income received by the Home for the year ended 31 October 2019 totalled \$1,255,384 (2018: \$507,989), which comprises:

	2019	2018
	\$	\$
Donations from the public	829,798	310,066
Donations for Transitional Home	236,152	-
Annual raffle, net of expenses	71,934	72,923
Grant from the Government of The Bahamas	<u>117,500</u>	<u>125,000</u>
Total	<u>1,255,384</u>	<u>507,989</u>

During the year, the Home was the beneficiary of a donation from a charitable foundation of \$50,000 for operating costs and \$160,000 for the Transitional Home. Additionally, other donations from various donors totalling \$76,152 were made towards the Transitional Home and are not available for operating costs, without the expressed consent of the donors. Excluding the donations in relation to the Transitional Home initiative, overall income from traditional sources of the Home increased in the current year by circa 200.00%. However, the vast majority of this increase is attributable to the financial support from the public in relation to the efforts of the Home in welcoming the children from Grand Bahama and Abaco. Donations received were in the majority allocated to initiatives of the Home that included all children, and were not specifically restricted to solely expenses of children from Grand Bahama and Abaco, given the Home provided the environment and benefits to all residents.

The Grant from the Government of The Bahamas remained consistent with the prior year.

The financial performance of the Home for the current year, excluding donations for the Transitional Home, resulted in a net surplus of \$197,676 (2018: net deficit of \$176,726). It should be noted that while a net surplus was recognised, the continued elevated donations from the public is uncertain whereas the continuance of the elevated operating expenses is certain for as long as the children from Grand Bahama and Abaco remain in the Home.

Net profit from the raffle, does require some reallocations with donations from the public in the current and prior years, as certain persons donate funds to the Home as opposed to purchasing tickets; the financial impact of reallocation is \$Nil. As has been reported for several years, the annual operating costs of the Home are funded by annual sustainable sources of income, represented by the Grant from the Government of The Bahamas and the annual raffle, which represent less than 30.00% in normal years and substantially less with the elevated operating expenses in relation to the additional children in the Home. Accordingly, the Home remains and will continue to remain significantly dependent on the generosity of the public (individuals and corporations) to fund the majority of its operating costs.

The financial performance of the Home is directly correlated with the economy of the Commonwealth of The Bahamas, along with the ever increasing number of charitable organisations and activities, including other homes for children, which are largely funded by the Government of The Bahamas. The Board of Directors will continue to impress upon the Government of The Bahamas that the social benefits provided by the Home warrant funding comparable with that provided to other homes for children, and dispel the myth that the Home is funded by mainstay wealthy benefactors. The value of the Home was certainly on display with the welcoming of the children from the islands impacted by Hurricane Dorian, however the contributions from the Government of The Bahamas were not commensurate to date.

As with other charitable organisations, the Home is perceived as constantly soliciting funding from the general public, and the objective is to change the narrative to demonstrate that as our brother's keeper, it is necessary to provide the disadvantaged children within our society with a decent standard of living and this requires funding. The Home requires identification of sustainable sources of funding over the long term, however, this is a mammoth undertaking that requires the input and support of all friends and family of the Home.

Physical infrastructure

The physical condition of the Home remains of good quality, and there are constant renovation projects carried out each year, generally financially and physically supported by various civic organisations. The replacement of the roof approximately seven (7) years ago, along with the refurbishment of the kitchen and laundry approximately three (3) years ago should, with proper maintenance, provide many years of utility. The grounds are enclosed by a substantial wall and are in excellent condition. The Home operates two (2) buses for transportation, which are rapidly aging and requiring larger repairs from time to time; consideration will have to be given to replacing these vehicles in the not too distant future.

Commencing in September 2019, and continuing in financial year ending 31 December 2020, several capital related projects were undertaken by various donors to support the expansion of the capacity of the Home to accommodate the elevated number of children. Such capital projects were carefully managed to ensure that the core infrastructure of the Home was not compromised for temporary benefit and led to enhancements to the Home for future years.

No significant capital expenditure is expected in the foreseeable future.

The Transitional Homes Project

The grant commitments totaling \$160,000 from a charitable foundation, were realised during the year and were specifically in the transitional homes project. The design and costing of the transitional homes had been focused on by the Board of Directors to strike the appropriate balance between functionality, comfort and financial resources. With the aforementioned donations, along with other financial commitments received during the year, the Transitional Homes initiative commenced in 2019, with the first structure comprising two (2) one (1) bedroom units completed and commissioned by the year end. The structure is a beacon of enthusiasm as the Home prepares to assist its children transition into adulthood and all the attendant responsibilities, and more importantly evidences the investment made by the donors mentioned.

Financial resources

As of 31 October 2019, the Home had cash resources of \$464,532 (2018: \$203,646), which based on the monthly expenditures experienced in the first quarter of the year ending 31 October 2021 represents approximately four (4) (2018: four (4)) months of funding for expenses. Financial resources are constantly being monitored, and financial obligations managed, with the objective of continuing to run the Home, balancing funding for specific projects with funding for the operational needs of the Home.

Subsequent events

As of 31 October 2020, the Home had cash resources of approximately \$708,000, of which \$84,000 represents funds restricted to use in the Transitional Home initiative; unrestricted cash resources totalled circa \$622,900 that approximates seven (7) months of funding for expenses, based on the elevated monthly outlay associated with the additional children in the Home. Income for the year ended 31 October 2020 approximates \$1,394,000, bolstered by the additional donations from the public in relation to assistance for the additional responsibilities taken by the Home, including an additional \$9,000 towards the Transitional Home initiative.

Expenses, excluding the costs of programmes referred to above that have been specifically funded, totalled approximately \$1,185,000 for the year ended 31 October 2020, which has led to a net surplus of circa \$200,000. The net surplus is deceptive, as the quantum of donations weaned in the second half of the fiscal year ended 31 October 2021, however the ongoing costs of care for an elevated number of children continued. The majority of the children from Grand Bahama were returned to Grand Bahama following the construction of their residences that were destroyed in Hurricane Dorian, which is expected to reduce the ongoing operating costs of the Home, but efforts to increase donations from the public will be critical in the coming months.



Gowon N.G. Bowe
Treasurer
Ranfurly Homes for Children

11 November 2020