

Treasurer's Report for the Year Ended 31 October 2020

Operating Costs

The operating costs for Ranfurly Homes for Children (the Home) for the year ended 31 October 2020 totalled \$1,185,074 (2019: \$821,556), which comprise:

	2020	2019
	\$	\$
Payroll	718,541	349,776
School and tutorial fees	170,368	152,409
Food and supplies	111,463	125,966
Repairs and maintenance	64,832	59,072
Utilities	43,967	54,234
Depreciation	24,158	29,566
Insurance	18,238	22,948
Transportation costs	13,490	11,049
Other	20,017	16,536
Total	<u>1,185,074</u>	<u>821,556</u>

Following the significant increase in the average number of children in the Home following the welcoming of children impacted by Hurricane Dorian in Grand Bahama and Abaco to in excess of forty-three (43) children during the current year, compared with the historical average of twenty-five (25), the requirement for staffing twenty-four (24) hours per day, three hundred and sixty-five (365) days per year, was exacerbated, particularly as the children welcomed had varying educational, medical and social needs and the global pandemic, COVID-19 led to closing of schools.

Accordingly, the staffing complement of the Home for the year ended 31 October 2020 averaged twenty-eight (28) (2019: eleven (11)) persons, including the administrator and assistant administrator, which was not consistently supplemented by any persons provided and compensated by the Department of Social Services (2019: average of two (2) persons). Compensation levels were consistent for existing staff, however, with the requirements for nursing, security and event coordinator personnel and those with counselling capabilities, compensation levels for the incremental staff that are considered temporary were higher. The primary objective of maintaining competitive compensation endures, but this is now alongside upskilling of resources. These factors contributed to the significant increase in payroll costs, the principal costs of the Home.

With the necessary increased staffing complement, overtime was reduced in comparison to recent prior years, but plans to professionally roster staff to maximise efficiency and contain costs associated with staffing that were deferred at the beginning of the year have been resurrected; such rostering is expected to better balance the working hours of our hardworking staff members.

Total expenses, excluding payroll costs, remained consistent with the prior year, and approximately forty percent (40.00%) over levels experienced in the years ended 31 December 2016, 2015 and 2014. However, it should be noted that certain expenses are not reflective of the total expenditure as donors made varying contributions to operating expenses directly to vendors, particularly food and supplies; donors were not consistently prepared to disclose amounts donated and hence the accurate recognition is challenging. The financial impact of such in-kind donations would be \$Nil, as donations from the public would increase by commensurate amounts.

School and tutorial fees were consistent with the prior year, and significantly elevated as a direct result of the additional children welcomed to the Home following Hurricane Dorian, as consistent schooling and counselling was extended to all children; external counselling costs are included here.

Consistent with 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.

In the prior year, expenditure totalling \$161,000 was incurred in relation to the Transitional Home initiative; see below for donations in relation to the Transitional Home.

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, continue its 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. As of 31 October 2020, the additional children from Grand Bahama and Abaco had returned to their respective islands and such cost restructuring will become more integral to the sustainability of the Home.

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 2020 totalled \$1,393,390 (2019: \$1,255,384), which comprises:

	2020	2019
	\$	\$
Donations from the public	1,134,688	829,798
Donations for Transitional Home	9,506	236,152
Annual raffle, net of expenses	54,596	71,934
Grant from the Government of The Bahamas	<u>195,000</u>	<u>117,500</u>
Total	<u>1,393,390</u>	<u>1,255,384</u>

During the year, the Home was the beneficiary of extraordinary donations from the public. 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 36.00% (2019: 200.00%). However, the vast majority of this increase is not expected to be recurring. 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 increased in current year, however this specific root of the increase has not been clearly articulated. It is expected that the increase may relate to the increased expenses associated with the additional children from Grand Bahama and Abaco, as in the absence of the Home, the Government of The Bahamas would have had to bear those costs directly. The Board of Directors continues 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 have not been commensurate to date. The Minister of Social Services has committed to revisiting the allocation based on a cost per child consistent with other childrens' homes funded by the Government of The Bahamas.

The financial performance of the Home for the current year, excluding donations for the Transitional Home, resulted in a net surplus of \$198,810 (2018: net surplus of \$197,676). It should be noted that while a net surplus was recognised, the continued elevated donations from the public has tapered in the second half of the year ended 31 October 2020. Fortunately, the additional costs associated with the additional children can too be rationalised given their return to their respective islands.

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. 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. 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 several renovation and upgrade projects were carried out in the current year, generally financially and physically supported by various civic organisations consistent with prior years. The replacement of the roof approximately eight (8) years ago, along with the refurbishment of the kitchen and laundry approximately four (4) 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, however both required larger repairs from time to time. Subsequent to the fiscal year, a donor made the contribution to a new large bus and the older equivalent bus was disposed of. There are plans to replace the smaller vehicle in the not too distant future, hopefully with contributions from similar donors.

The projects commenced in September 2019, and continuing during the year undertaken by various donors to support the expansion of the capacity of the Home to accommodate the elevated number of children 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 donations in relation to the Transitional Home initiative in the prior year were used to complete the first structure comprising two (2) one (1) bedroom units completed and commissioned in the prior year. Due to the commitments associated with the additional children following Hurricane Dorian and the onset of the global pandemic, the ability to extend the project were hampered due to redirecting of financial donations and the attention of the Board of Directors.

However, the structure as a beacon of enthusiasm should not be understated, 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 2020, the Home had cash resources of \$708,498 (2019: \$464,532), which based on the monthly expenditures experienced in the first quarter of the year ending 31 October 2021 represented approximately seven (7) (2019: 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 30 June 2021, the Home had cash resources of approximately \$285,000, of which \$84,000 represents funds restricted to use in the Transitional Home initiative; unrestricted cash resources totalled circa \$200,000 that approximates three (3) months of funding for expenses, based on current monthly outlay. Income for the eight (8) months to 30 June 2021 approximates \$240,000.

Expenses, excluding the costs of programmes referred to above that have been specifically funded, totalled approximately \$690,000 for the eight (8) months to 30 June 2021, which has led to a net deficit of circa \$450,000, which has exhausted the net surpluses recorded in the prior two (2) years.



Gowon N.G. Bowe
Treasurer
Ranfurly Homes for Children

14 July 2021