

Financially Sustainable Council Plan



The Strategic Performance Office, in collaboration with other departments of the Boy Scouts of America, provides services and resources enhancing local council efforts towards meeting their operating, capital, endowment, fiscal management, and strategic funding needs.

The BSA has created a “facilitated financial planning process” to help local councils analyze their financial health, identify strengths and challenges, and develop both short term and long term strategies for maintaining financial sustainability. This helps councils do a deep dive around their finances that provides historic information, recommendations and best practices for guidance to strategic planning.

The process includes on-site analysis and interviews, followed by a presentation of the plan to selected officers of the council. It also provides for follow-up services from Regional Support, performance coaches, and others.

A successful financial plan includes strategies for achieving financial sustainability that are designed around three key areas:

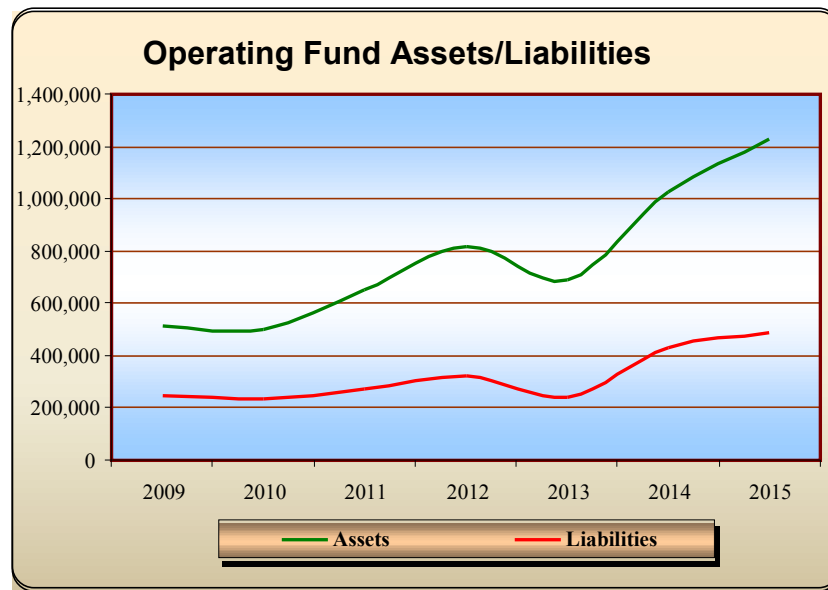
- ***Strong Fiscal Capacity*** insures that the council has sufficient well-trained staff and volunteers, good internal and external communications, as well as adequate and efficient use of resources for proper administration of the council operation.
- ***Sufficient Revenue Generation*** describes the critical need for developing, providing for, and executing the necessary strategies in order for the council to implement its mission as outlined in its strategic plan.
- ***Good Governance*** is necessary to insure the council’s resources are being properly managed and utilized as various regulatory agencies require.

A financial plan includes an analysis of key financial indicators and any action that may be necessary. These indicators include:

- | | |
|-------------------------|------------------------------|
| • Debt Position | • Operating Fund Performance |
| • Cash Flow (Liquidity) | • Capital Fund Performance |
| • Revenue Generation | • Endowment Fund Performance |
| • Governance | |

Sample Executive Summary

A key measure of fiscal health is the solvency of the operating fund. The total solvency is the difference between its assets and liabilities. This difference represents the net assets (or retained earnings in the for profit world). Although the assets took a small dip in 2013, they have grown significantly since 2009. Since liabilities have remained relatively flat, the result is improved solvency in the operating fund.



The success in balancing the budget has been largely a matter of reducing operating expenses. The council continues to see a decline in its fundraising; however, 2016 looks more promising. Fundraising was ahead of the prior year by more than \$60,000 at the end of April.

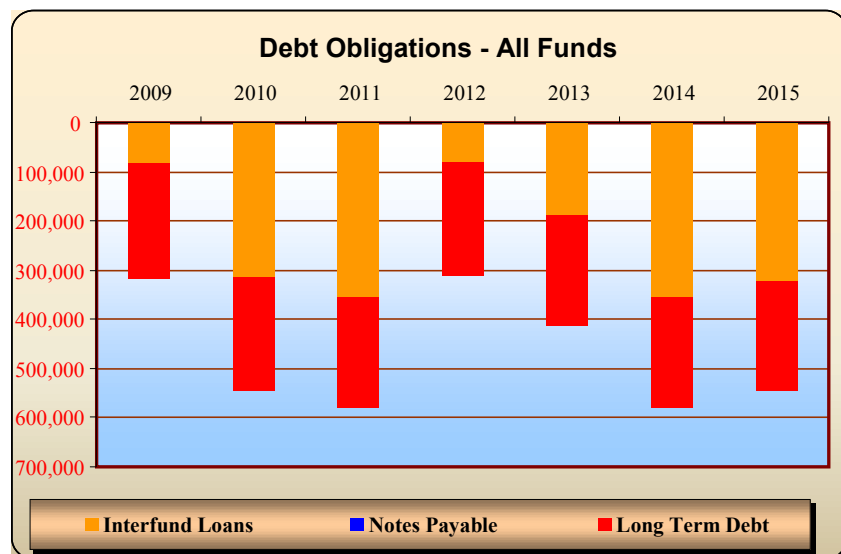
Major Sources of Revenue						
Self-Generated Funds	2011	2012	2013	2014	2015	2016 Bdgt
Friends of Scouting	582,844	649,621	562,924	622,088	514,305	588,000
Project Sales	45,430	47,539	34,463	31,438	10,309	27,200
Special Events	902,698	763,725	541,575	485,927	488,036	418,600
Foundations & Trusts	202,340	185,182	199,271	105,768	149,120	153,454
Self-Generated Total	1,733,312	1,646,067	1,338,233	1,245,221	1,161,770	1,187,254

The Last Valley Council experienced a significant operating loss in 2009. It has since stabilized its operating fund, but at the reduction of its services. Now facing debt and capital needs, it must take a strategic direction for long-term financial sustainability and growth in its programs. It should set its compass towards becoming a gold council on this Journey to Excellence.

Sample Analysis of the Key Financial Indicators

A. Debt Position

Capital development in the Golden Towers Council has not been fully funded. The council secured a mortgage in order to construct the office building in 2003. In addition, it has borrowed funds from its endowment fund (as interfund loans) to complete capital projects. At the end of 2015, it owed over \$500,000 to the bank and to itself.



B. Cash Flow (Liquidity)

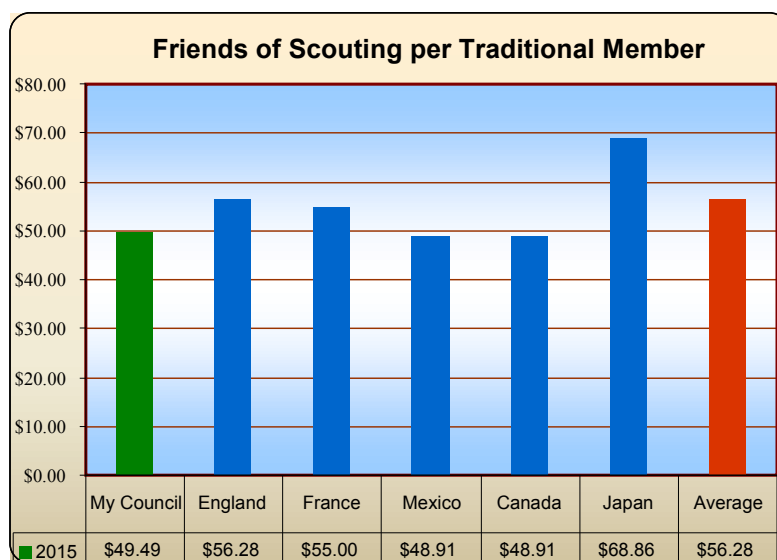
The Big Dipper Council has managed its operating cash very carefully with its line of credit and transfers from other funds. However, it does not maintain sufficient cash to allow it any latitude. For example, last August it had no cash assets in the operating fund. At the end of May it had enough to cover the next pay period, but not beyond. Fortunately, earlier fundraising in 2016 increased the cash available as compared to last May. However, any future shortfalls or delays in receiving cash could result in additional borrowing.

Operating Fund Cash Demands	Year End Cash & Demands			Weakest Month		Most Recent Month		
	Dec 2013	Dec 2014	Dec 2015	Aug 2014	Aug 2015	May 2015	May 2016	Variance
Total Cash Assets	33,617	60,749	83,086	6,320	(1,023)	27,727	55,078	27,351
Total Current Demand	91,264	123,513	119,513	80,431	82,511	95,095	105,825	10,730
Liquidity Ratio	0.37	0.49	0.70	0.08	0.00	0.29	0.52	0.23
Cash Needs (45 Days)	87,233	87,233	90,297	87,233	90,297	90,297	98,688	8,391
Cash Excess (Shortage)	(53,616)	(26,484)	(7,211)	(80,913)	(91,320)	(62,570)	(43,610)	18,960

C. Revenue Generation

Local councils have budgets driven by expenses. That is, we plan the programs to serve youth and determine the financial resources required to meet the needs of the membership and program goals of the council. Generation of sufficient revenues to be a Financially Sustainable Council is a matter of bringing the power of the executive board into contact with the funding opportunities in the local community.

Although the council has raised more total dollars than some similar councils, when its FOS effort is measured on per member basis, it is below average.



D. Operating Fund Performance

Camping programs usually involve significant income and expenses. The chart below analyzes the council's camping programs. The unallocated expense includes the services of the camp ranger that has not been included in the reported camping expenses. The indirect administrative costs are determined from time studies conducted by the council to measure management overhead.

Total Camping	2012	2013	2014	2015	2016 Bdgt*
Total Camping Revenue	\$357,196	\$354,170	\$332,311	\$330,206	\$363,300
Direct Camping Expenses	\$491,463	\$406,211	\$384,244	\$390,508	\$368,630
Unallocated Expenses	\$0	\$27,000	\$27,000	\$27,000	\$27,000
Administrative Costs	\$32,326	\$32,052	\$30,074	\$29,884	\$32,879
Total Camping Expense	\$523,789	\$465,263	\$441,318	\$447,392	\$428,509
Net Operational Surplus	(\$166,593)	(\$111,093)	(\$109,007)	(\$117,186)	(\$65,209)
Summer Camp Attendance	1,845	2,004	1,546	2,021	2,000
Surplus (Subsidy)/ Camper	(\$90)	(\$55)	(\$71)	(\$58)	(\$33)

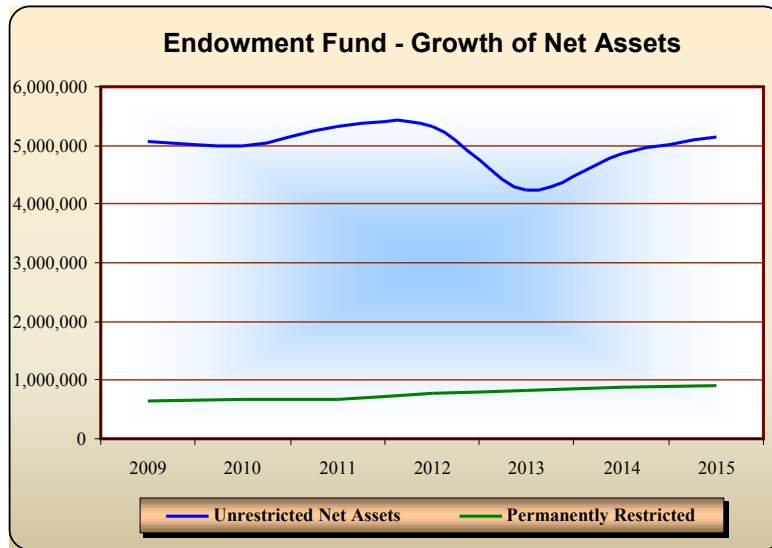
E. Capital Fund Performance

Between 2009 and 2015, over \$2,000,000 were raised to support capital projects. Some of this was spent on direct expenses, but most of it helped the council greatly enhance its fixed assets.

Capital Fund Income & Expense	2009	2010	2011	2012	2013	2014	2015	2009-15
Unrestricted Contributions	9,830	50,000	77,543	26,136	57,743	0	33,535	254,787
Temp. Rest. Contributions	68,049	929,546	0	230,814	664,174	24,704	0	1,917,287
Total Contributions	77,879	979,546	77,543	256,950	721,917	24,704	33,535	2,172,074
Non-Depreciation Expense	121,017	13,709	81,311	37,182	155,038	125,297	36,661	570,215

F. Endowment Fund Performance

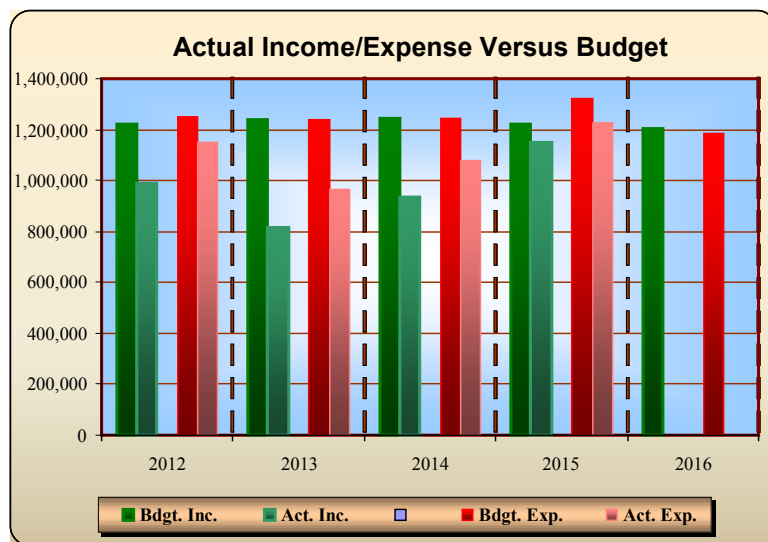
Building an endowment is a priority for any council as a means to achieve sustainable support in the future. The Journey to Excellence program measures a council's ability to add new permanent gifts to the endowment. Taking in account the income received from the endowment, along with the changes in market value, we observe a dip in endowment investments in 2013. While many councils had a much larger loss in 2013, the Far Horizon Council performed well in preserving its endowment assets.



G. Governance

The executive board has the prime responsibility to raise the funds that are necessary for the successful operation of the local council. In addition, the board must provide oversight and understand the financial condition of the council.

A key component of good governance is budgeting, with volunteer involvement at every level. Careful monitoring of the council budget is also important. **Here we observe a trend in not achieving the plan for both income generation and expenses.**

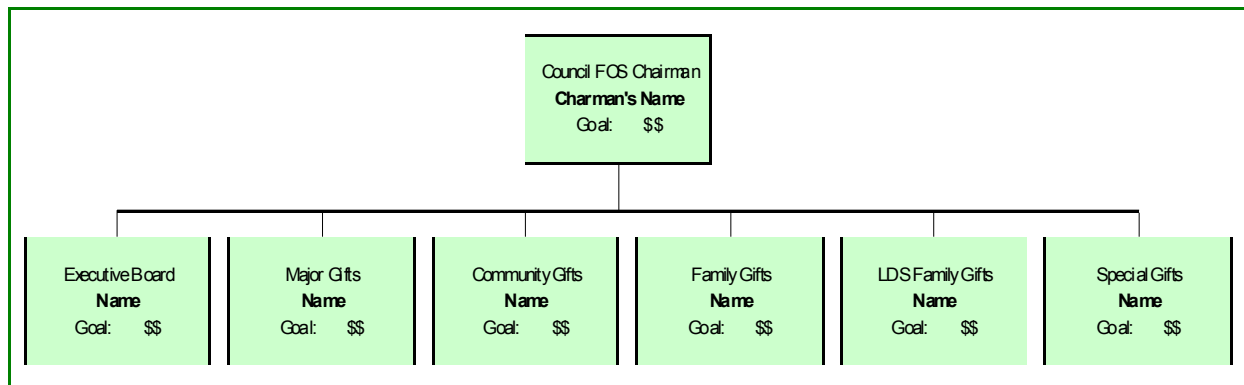


Sample Recommendations – Top Strategies

A. Rebuild Friends of Scouting

As indicated earlier, the Peaks and Valleys Council has experienced a significant decline in the Friends of Scouting (FOS) dollars it has raised. This loss of \$400,000 in income is a chief contributor of the change from achieving a typical \$200,000 operating surplus to an operating loss of about \$300,000. The council sought to turn this around in 2015 when it established a budget of increasing FOS by \$450,000. Unfortunately, this 50% increase in FOS proved unrealistic, and the council is expected to end the year a bit short of last year's efforts in FOS.

In the end, fundraising success is a result of sufficient manpower. Where the council has had success with its special events, it has had a strong team involved in the project. The FOS campaign has not had this approach, except for, perhaps, the LDS division. For 2016, it is recommended that the council begin by building its Friends of Scouting cabinet of campaign leadership. Then it should focus on completing the manpower chart. After that, thorough prospecting and campaign discipline will lead to results.



B. Implement a Functional Accounting and Budgeting Approach

Because the Gray Books Council records over half of its expenses in a default cost center (project code) “000,” it is difficult to tell if all of the funds are being used in the most effective manner. Functional accounting is one way to monitor programs and expenses. The council already does this with its cost-centered approach to its Learning for Life programs that includes specific and indirect expenses to fund the program. However, it was discovered that not all camp expenses are being recorded in camp cost centers, and year-round camp expenses are not being differentiated between the two facilities. The functional accounting approach makes full use of project codes and scope reports in the BSA accounting system. It is a method that removes all expenses from general functions and applies them specifically or proportionally to project codes.

With functional accounting in place, the council will want to use the Planned Budgeting model to guide the budgeting process and assure volunteer involvement at every level.

C. Pursue Debt Reduction Strategy

First, the executive board should give serious consideration to forgiving the interfund loan from operating to capital. This will allow the council to pursue the balance between capital income and expense, as described in the previous paragraphs.

Second, the annual operating budget needs four debt service and reduction elements:

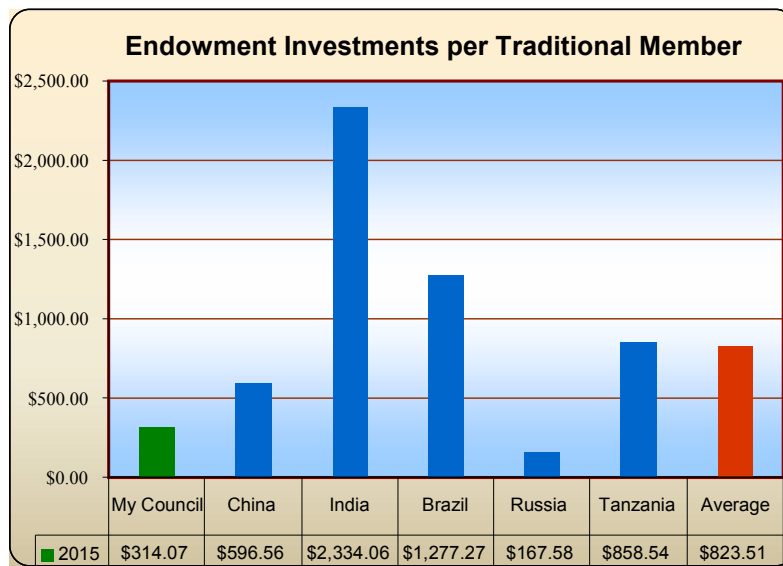
- Interest to be paid on line of credit
- Interest to be paid on endowment fund loan as determined by the executive board
- Reduction in the amount outstanding on the line of credit
- Reduction in the amount outstanding on the loan from endowment

Interest is an expense item, but in order to reduce the loans, a surplus is needed. If a \$200,000 surplus is achieved annually, it will take at least six years to retire these debts.

D. Build Endowment to Support Operations

The council has raised very little money for the permanent endowment, and does not have an endowment committee. It should be a priority to recruit this committee to focus on securing James E. West gifts, Second Century Society gifts, and planned gifts. The council does not hold a Heritage Society recognition event. This is a great way to keep a focus on endowment.

The council may want to set some short-term and long-term targets to increase its ability to fund a larger portion of its expenses through endowment. The chart below shows the endowment's ability to support the membership in comparative councils.



Typical Plans Include Further Recommendations and Resources for Financial Sustainability

- A. Strong Fiscal Capacity (adequate and effective use of resources, budget analysis, trained staff and volunteers, internal and external communication capability)
- B. Sufficient Revenue Generation (strategic planning, funding strategies, development committee)
- C. Good Governance (board oversight, management stewardship, internal controls)