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FY 22 Budget Notes

Draft 2 – Enhancement

A note from the finance department:

The numerical values in this document (1., 2., 3., etc.) are tied to the same numerical value in the Excel file named 'FY22 Budget Comparison with Enhancements' and the tab named 'Narrative with Enhancements'. The notes add additional clarity to revenue and expense lines that are significantly different than the prior year budget and in some cases historical or current year actuals. As you review the budget if there is a numerical value in the column "NOTE" please take an opportunity to read the corresponding narrative documented below.

In the near future we will announce a date and time where we will present the FY22 budget via zoom.

If you have questions or comments that are unanswered after reading the notes below and/or participating in the zoom budget presentation feel free to e mail bedwards@fbnn.org and nlamboley@fbnn.org . We will consolidate the questions and respond accordingly.

We are still working on the finishing touches for the payroll section of this budget. Additional information will be provided in the coming days so please be patient as we work through the final edits.

A note from the development team regarding the FY22 revenue projection:

Both Feeding America and One & All project that FY22 will see an overall increase in revenue anywhere between 5% and 8%. The Development Team is projecting an overall budget increase from FY21 (budgeted) to FY22 (draft 2 budgeted) of 8.1%.

Budgeting for FY22 brings numerous challenges, including segmenting out COVID donors/dollars from both FY20 and FY21. COVID donors are referred to as "crisis donors."

What we know:

1. Crisis donors give to organizations that they might have never given to before (we have over 5,000 new donors since March 2020 – an increase of 43% over regular year acquisition)
2. In just individual donors (not including major gifts) we have 391 COVID specific designated donor gifts (148 are new) that have given a total of \$238,252 that will most likely not be giving another gift in this range.

What we don't know:

1. How many crisis donors will give a gift in FY22 (currently at a 35% retention rate).
2. Will these donors give at the current rate or cut back their giving (we have had many donors give additional gifts using their stimulus checks – this is likely not to happen again or donors may choose to support other organizations addressing emerging needs).

Budgeting is both a science and an art. We look at year over year trends, how crisis funding affected our overall revenue and what the experts are projecting for the next 12-24 months. With all these factors taken into consideration an 8.1% year over year increase is an aggressive goal for FY22.

FY22 Budget Notes:

REVENUE

1. Revenue On-line - Online revenue was growing at approx. 3% year over year. Crisis donations caused online revenue to grow at an unrealistic rate. Looking at the new donors and accounting for higher than average growth, we are projecting a 6% increase in FY22 over FY21. We are continuing to evaluate and may recommend a slight increase in our projection for this revenue line.
2. Revenue Direct Mail – The direct mail vendor, One & All, receives FBNN donor records and has a complex system to forecast expected revenue by appeal.
3. Revenue Major Gifts – The FY22 budget is decreasing vs FY21 approved budget and FY20/FY21 YTD actuals because this is a revenue stream that was greatly impacted by COVID. Large crisis donations were booked in this revenue account.
4. Total Workplace Giving - With employees returning to work after being gone for 18 months it will be a slow return to workplace giving. Workplace giving is part of the Corporate Development Officer's FY22 workplan targeting 2 new companies to participate in a workplace giving program.
5. Revenue U.S Government – Almost all of the revenue from the United States Government is expense reimbursement (CSFP/TEFAP/SNAP/SNAPed/FEMA/CACFP/SFSP). CACFP and SFSP are direct reimbursement based on the number of meals served. The balance of the U.S Government grants are reimbursed based on direct expenses. The FY22 budget accounts for CA TEFAP +\$115K, FEMA -\$14K, SNAPed +\$80K, SFSP +\$210K, TEFAP -\$131K. TEFAP is decreasing because of the loss of FFCRA, CARES, and TEFAP Trade Mitigation funding. FEMA is decreasing due to the loss of CARES funding that is no longer available. Overall the projected increase in government funding is \$283K.
6. Revenue Local Government - This is revenue tied to the work we do in Washoe County. FBNN received funding from Washoe County in 2019 and CARES funding in 2020 and is seeking additional funding to support the work we continue to provide the residents of Washoe County.
7. Revenue State Government – This is a new source of revenue for FY22 based on a grant that was awarded in FY21. The Produce on Wheels program (POW) is funded by the Aging and Disability Services Division (this is a pass through of federal funding administered by the state). This revenue is based in direct expense reimbursement. The budgeted revenue and corresponding expenses to operate the program is \$86K.
8. Revenue Corporate Grants – In total, the revenue stream is projected to decrease \$176k because Catholic Charities Northern Nevada (CCNN) was not awarded the Healthy Nevada grant at the same level and the sub grant to FBNN will be \$409K less in FY22. FBNN on the other hand was awarded an additional \$194k from the Fund for Healthy Nevada grant. Other sources of corporate grant funding account for the modest unexplained variance.
9. Food Bank Events – Projections are based on assumption that large group gatherings will once again occur and people are willing to assemble. MLK, Volunbeer and the associated sponsorship opportunities for each event will generate revenue which in turn offsets corresponding event expenses.
10. Third Party Fundraising & Revenue Cause Marketing - Both of these budget line items are not under the control of the Development Team. Third party fundraising occurs without the

knowledge or participation of Food Bank staff. Cause marketing includes programs initiated with the help of Feeding America and change often without Food Bank knowledge. Before FY15 we did not have a revenue budget line for either of these categories because they are not easy to predict. Numerous campaigns happened during COVID that will not happen as we move away from COVID funding. Revenue must be adjusted for the downturn in crisis type funding.

11. Revenue Raley's FFF budget projections are based on a forecast model which is the average of FY20 and YTD for FY21. Because the program changed significantly in recent years, by changing the point of sale donation prompt, we felt it was appropriate to use FY20 and FY21 to build FY22 forecast.
12. Agency Purchased Product is projected to decline slightly versus historical actuals and FY21 budget because inventory levels are still high with grant funded food that is available to the agencies for free. FBNN is currently discussing the strategy to transition the agencies back to buying food dollar for dollar.

EXPENSES

13. Food Purchase expenses are estimated to increase \$544K vs FY21. Raley's revenue is projected to increase \$535K and the food purchase portion of that transaction posts to this GL. This expense line also captures the purchase of produce for distribution to mobile pantry and partner agencies. Produce purchase is largely dependent on donations from the large corporate partner in TRIC. FEMA food purchase is budgeted to this GL # and is driven by the amount of money granted to the counties in our service area. FEMA revenue is budgeted to decrease \$14K in FY22 so the corresponding food purchase will decrease by \$14K too. With FEMA the revenue and expense net to zero. Produce on Wheels, grant funded by ADSD has a food purchase budget of \$20K and posts to this expense account. No other significant changes.
14. Meal Purchase is the food purchase expense for the CACFP/SFSP program. CACFP & SFSP are federal child nutrition reimbursement programs based on the number of meals served. The child nutrition team is expecting to server slightly fewer meals for CACFP and slightly more meals for SFSP. For FY22 the meal expense is projected to increase \$66K vs FY21.
15. Purchase Product COGS is projected to decrease \$618K vs FY21 approved budget. In FY21 we budgeted \$500K in unrestricted COVID relief food purchase to support the service area. That expense has been removed in FY22. With the loss of funding due to CCNN (see line 8) not being awarded Healthy Nevada funding at the same level the food purchase component of that grant is a decrease of \$404K. With FBNN awarded additional Healthy Nevada funding for RxPantry the projected food purchase for that grant will increase \$206K. Finally, school pantries food purchase is projected to increase \$78K with specific grant funded dollars. In sum, the net change is a decrease in food purchase COGS.
16. Salaries – FY22 budget is modeled w/ up to 2.5% merit raise and one-time bonus of \$500 to each employee employed as of 12/31/2020. Additional head count in enhancement budget documented separately.
17. Health Benefits are projected to decrease slightly because FY21 had a line item for dependent care that was discussed but not activated. The anticipated increase of 15% in total cost of health care is projected to start at 1/1/2022 renewal. The budget assumes no change to employee paid portion of the benefit. This remains our best estimate after consultation with

our benefits provider but we will not know until mid-late October what the actual cost for health insurance will be.

18. Retirement Contribution – the FY22 budget maintains same level of employer contribution into the 403B plan. The current rate is 5% for each qualifying employee.
19. Audit – the FY22 budget is increasing due to the bids from the recent RFP. The cost of audit service is increasing based on all three bids received.
20. Bank Charges are directly tied to the online revenue. Increase in online donations increases this expense. We continuously evaluate of bank fees to make sure they are competitive with the marketplace. We also have many donors who opt-in and increase their donation to cover the cost of the fee.
21. Computer Services – Enhancement budgets includes \$10k to upgrade client tracking software to partner agencies. Otherwise no other changes vs FY21 approved budget. Increase vs FY21 YTD because Feeding America waived MBS fees for all hosted food banks.
22. Dues and Memberships – budgeted FA dues. Increase vs FY21 YTD because Feeding America waived dues for all member food banks.
23. Equipment represents a decrease in FY22 budget by \$22K. Decrease NV TEFAP equipment budget due to loss of extra TEFAP related funding, increase CA TEFAP by \$29K with excess TEFAP funding available in CA. No other significant changes.
24. Gasoline is projected to decrease fuel expense vs FY21 approved budget because FY21 YTD actuals trending lower than budget. This is a very difficult number to forecast.
25. Insurance is increased in FY22 budget to account for additional assets that require insurance plus general liability insurance required with increase in FY20/21 revenue. Added additional warehouse space, purchased two semi tractors, purchased two semi-trailers, purchased two program vehicles. Refer to new asset addition file uploaded to board portal for a complete list of all the assets added in FY21.
26. Postage will increase in FY22 budget to account for increase in the cost of postage plus the increase in the number of new donors thanks to the many new donors that contributed during COVID.
27. Professional Services represents a decrease in FY22 budget by \$24K. The Feeding Our Community Study decreases in FY22 because it will be mostly paid per the terms of the contract. The results of the survey will be released in late spring 2022.
28. Professional Services Direct Mail is increasing in FY22 budget by \$33K vs FY21 budget. With a larger donor database, the cost to keep the donors engaged is slightly higher. Direct mail acquisition projected to be \$59,500 during Sept-Dec. The balance is regular monthly direct mail printing and administrative services.
29. Program Materials are projected to increase in FY22 budget by \$13K vs FY21 approved budget. Produce on wheels +\$4K for grant related activities, SNAPEd, nutrition education is budgeting +\$2K for supplies and lesson booklets, TEFAP +\$2,700 for Oasis support, mobile harvest +\$3,500 for replacement of programming materials (carts, tents, etc).
30. Promotional Expense in FY22 budget is increasing \$10K vs FY21 approved budget. SNAP +\$7K to execute grant funded SNAP programming, Marketing +\$2K for additional outreach advertising, Development +\$1,500 to attend two estate planning series in which FBNN has been actively participating for the past several years.

31. Repairs and Maintenance Building in FY22 budget is increasing \$8K vs the FY21 approved budget to account for added warehouse space plus additional power industrial equipment.
32. Repairs and Maintenance Vehicle in FY22 budget is increasing \$20K vs the FY21 approved budget. The increase is to account for the additional vehicles added to the fleet plus the additional year of service on existing fleet.
33. Special Events in FY22 budget is increasing \$38K to account for the cost of having the MLK event and under the assumption that there may be a cost to rent the space and deliver a successful event.
34. Sanitation in FY22 budget is increasing \$11K vs the FY21 approved budget to account for waste management price increase. Marginal price increase in cost for pest control to account for the new warehouse space.
35. Warehouse supplies in FY22 budget is decreasing \$7K. Budgeting one less repack box order to align with prior year repack orders. Increased in FY21 to account for COVID volume.