Organization Overview

Journey House was started in 1969 and has been serving families in the Clark Square neighborhood of Milwaukee ever since. Its mission has stayed consistent throughout the years: to move families out of generational poverty through adult education, adult workforce development, youth development, and family engagement. These four programs are the heart of Journey House's service efforts. Like other settlement house models, Journey House supports families "from birth to twilight" (Bria, 2022).

Journey House's business model has changed significantly since its inception. Until 1996, there was only one major funding source for the organization – the City of Milwaukee Block Grant. With the arrival of a new CEO, Dr. Michelle Bria, revenue streams started to diversify and board development was prioritized. Strong leadership and partnerships have led to Journey House's standing as a nonprofit organization with a current budget of 2.6 million dollars. It also has several subsidiaries, including its own charitable foundation. Charity Navigator rates Journey House as a 4-star organization with strong accountability and finance metrics.

Revenue and Expense Overview

Per Journey House's 2022 income/expense sheet, the January to September period produced $1,204,856 in total revenue. Revenue sources consist of foundations (43%), individual contributions (18%), corporations (15%), government grants (14%), private contracts (7%), and service fees (3%). On the other end, the same period resulted in $1,575,147 in total expenses. Expenses consist of salaries and wages (47%), operating costs (24%), depreciation (14%), fringe benefits (8%), special events (4%), and occupancy (2.5%). As reflected below in Figure 1, the change in net assets over the 9-month period from January to September resulted in a loss of

$370,291. Without depreciation, which is a non-cash expense, this loss is reduced to $153,715. Averaged over 9 months, this loss is $41,000 a month (with depreciation) or $17,000 a month (without depreciation). While the profit margin and savings indicator are low at –0.3 and -0.24, respectively, Journey House expects to raise a substantial portion of its annual budget in the "giving season" of November and December (Jackson, 2022). This will likely offset any losses incurred by the end of the calendar year.

Figure 1: Revenue and Expenses

Ratio	Result	Evaluation	Time Period	Calculated w/ Statement of:
Change in NA	(370,291)	<0, Loss	Jan-Sept 2022	Income/Expenses
Profit Margin	-0.3	<0, ~~Profit~~	Jan-Sept 2022	Income/Expenses
Savings Indicator	-0.24	<0	Jan-Sept 2022	Income/Expenses
Personnel Costs	56%	Standard	Jan-Sept 2022	Income/Expenses
Reliance: Foundations	43%	Reliable	Jan-Sept 2022	YTD Budget-Income/Expenses
Fundraising Efficiency	0.04	<.35	2021	Annual Report
Program Expense	76%	>65%	2019 (990)	Program Services

Financial Success

Within the past decade, Journey House has been able to leverage the expertise of its board, partnerships with other organizations, and a bottom-up budgeting process to remain solvent while building capacity.

Journey House's board is unabashedly a fundraising board. Each of the organization's 15 board members is expected to contribute $50,000 every year, "give or get," amounting to $750,000 of anticipated annual revenue (Bria, 2022). Moreover, board members' expertise in the fields of architecture, construction, and real estate law has helped Journey House to expand and maintain its properties in fiscally responsible ways. One example of fiscal savviness has been to utilize new markets tax credits (NMTC) to construct the Journey House Community Center, which has been the hub of Journey House's programming in the Clark Square community for the past 12 years. Additionally, low-income housing tax credits (LIHTC) have been used to help

Journey House construct affordable housing units like the Clark Square Apartments, which serve youth who have aged out of foster care. The NMTC and LIHTC programs are designed to encourage outside investors to partner with local organizations; investors provide capital in exchange for valuable state-issued tax credits that reduce their tax liability. This capital has served as the "cash infusion" needed for Journey House to grow its facilities.

In total, Journey House has 292 donor-partnerships with organizations and individuals. These partners benefit Journey House by providing financial contributions in the form of fixed or working capital, human capital that offers programmatic support at no additional cost, or a direct pipeline to target populations. As examples, partnerships with the Green Back Packers Foundation and Spectrum have yielded the financial benefits of new facilities and equipment, such as the Journey House Packers Football Stadium and the Spectrum Technology Center. Other organizational partners, such as PEARLS for Teen Girls, Discovery World, and Ex Fabula, have all provided professionals to lead classes for Journey House's after-school program. Another organization, H.W. Longfellow (a Milwaukee Public School), is physically connected to the Journey House Community Center and provides Journey House with the ability to directly access families while circumventing advertising and outreach costs.

Journey House uses a bottom-up budgeting process, which sees the organization calculate all program expenses before assessing revenue sources. This process has led the organization to be quite fiscally conservative, "running a tight ship" where "every penny" is accounted for (Bria, 2022). The benefit of the bottom-up budgeting approach is a hyper-awareness of expenses and debts. Journey House leadership has actually stated that the organization is currently debt-free. Such a declaration is a large one, but do the numbers back up this statement? After reviewing Journey House's September balance sheet and speaking with Journey House's Controller, Chawn

Jackson, I can confirm that this debt-free declaration is valid. Even though Journey House has $1,100,883 listed under liabilities, it also has a $1,127,453 loan receivable and $184,235 in accounts receivable listed under assets. This creates a situation where the organization's receivables cancel out their payables.

One downside of Journey House's bottom-up budgeting process is that revenue sources are relegated as a second priority and a reactionary effort. For 2022 and 2023, Journey House has opted for a break-even budget where revenues are sourced to match expenses but not exceed them, which negates the benefit of raising revenues that can lead to a potential surplus. But why would Journey House not aim for a surplus budget? There are two answers that come to mind: 1) Journey House intends to be fiscally conservative while in a transitional period where it is expanding its facilities and growing its team, and 2) Journey House is extremely liquid, which provides it with the flexibility to not urgently need a surplus.

Figure 2: Liquidity

Ratio	Result	Evaluation	Time Period	Calculated w/ Statement of:
Days of Cash on Hand	286	>180 days	Jan-Sept 2022	Cash Flows, Income/Expenses
Working Capital	2,263,658	>10 months	Sept 30, 2022	Balance, Income/Expenses
Solvency	9,309,413	Solvent	Sept 30, 2022	Balance
Quick Ratio	3	>1	Sept 30, 2022	Balance
Available NA (LUNA)	141	>90	2019 (990)	Balance, Functional Exp.
Debt Ratio	0.41	<1	2019 (990)	Balance, Functional Exp.
Available NA	859,663	Healthy	2019 (990)	Balance

As seen in Figure 2, Journey House has 286 days of cash on hand or, rephrased, 10 months of working capital. Per its most recent Statement of Cash Flows, Journey House has $1,066,607 in cash and cash equivalents. This cash amount helps Journey House to remain nimble, expand, and meet needs as they arise. As it has enough assets to cover its liabilities, the organization is considered solvent. Positive measures of solvency and liquidity have either grown or stayed consistent over the last 3 years.

Causes for Concern

As mentioned earlier, Journey House raises a large percentage of their budget in the "giving season" spanning November and December. This has been part of Journey House's business plan and is not dissimilar to the situations of many other nonprofits who rely on the charitable spirit of individuals, corporations, and foundations to provide contributions around major holidays. Where Journey House might differ from other nonprofits is simply the amount of revenue that they allocate to be raised during the "giving season." The difference between its year-to-date actual revenue and its end-of-year projected revenue stands at a looming $1,365,094 (Journey House, 2022). Chawn Jackson relayed that this is a stressful process to undertake every year, especially with the knowledge that "nothing is guaranteed." Without the strength of its fundraising board, I do not think this approach would be sustainable. As is, the approach is heavily reliant on foundation contributions that come in at the end of the calendar year (foundation support makes up 65% of its anticipated annual budget). There is an inherent risk: What if an anticipated foundation contribution does not come through?

Another challenge of Journey House's business plan is that the organization cannot rely on its program alumni to be large donors in the same way that universities and hospitals can. This is because the individuals and families that Journey House serves typically have less expendable income in comparison to university, hospital, or arts donors. This leaves the organization to be fairly reliant on foundations. To this end, a big priority for Journey House leadership has been to create additional revenue streams that will enable them to generate their own source of unrestricted funding. One such revenue stream will be rental income generated from the Felix Mantilla Baseball Complex at Baran Park.

The Future

The Brewers Community Foundation has pledged $[redacted] to be raised for Journey House by April 2023 with a portion of those funds allocated towards building a dome at Journey House's baseball complex at Baran Park. Not only with the dome allow people to engage in sports and recreation year-round, but it will also provide a consistent stream of unrestricted revenue for Journey House. In 2023, total dome rental sales for both peak and non-peak seasons are estimated to amount to $[redacted] ($[redacted] in net profit). By 2031, these rental sales are expected to grow to $[redacted] ($[redacted] in net profit). This revenue stream, owed to a successful partnership with the Brewers Community Foundation, should provide Journey House with a reliable revenue stream for decades to come.

The future of Journey House is indeed bright. As the organization continues to grow, I hope that it devotes extra resources to the development of its human capital. Without strong staffing, an organization's efforts are for naught. Journey House currently has several open positions that have yet to be filled and more positions are set to be created in the upcoming months. Unfilled positions, turnover, and a lack of infrastructure can undermine the great work Journey House does and plans to do. Dedicating resources to nurturing its human capacity is the key to its financial sustainability. After all, everything is relationships.

References

Brewers Community Foundation. (2022, October 22). Brewers CFO Financial Dome Projections.

Bria, M. (2022, Oct 10). Interview with Dr. Michelle Bria, CEO of Journey House.

Charity Navigator. (2022). *Journey House Inc.* https://www.charitynavigator.org/ein/391203539

Jackson, C. (2022, Oct 21). Interview with Chawn Jackson, Controller of Journey House.

Journey House. (2022, November 16). Journey House Board Packet: September 2022 Financials

IRS. (2019). *Journey House Form 990*. guidestar.org.

Annual Report: The Journey Continues. (2021). www.journeyhouse.org.

https://indd.adobe.com/view/faacaa6b-5fdb-4132-9d4f-12970e23c738