

MARKLUND

FINANCE COMMITTEE COMMISSION

Purpose:

The Finance Committee shall be responsible for the proper fiscal oversight of Marklund including (a) review and maintenance of accurate financial records and statements; (b) oversight of budget preparation and ongoing financial planning; (c) preservation of organizational assets; (d) compliance with State and Federal financial requirements.

Members:

The Finance Committee shall consist of no less than five (5) members and no more than seven members of the Board of Directors. The Chair of the committee is appointed by the Board Chair each year. The Committee Chair together with the Board Chair, President/CEO and CFO will identify and appoint committee members. The committee membership should represent a cross section of the full Board in terms of tenure on the board.

Key Responsibilities:

1. The Finance Committee shall consider and review all of the financial matters and operations of Marklund.
2. The Finance Committee shall provide to the Board of Directors, at its regularly scheduled meetings, reports of its deliberations and findings including recommendations with respect to such matters and operations.
3. The Finance Committee shall review the proposed annual capital and operating budgets for Marklund.
4. The Finance Committee shall provide oversight for major expenses including but not limited to, insurance, compensation, (except for executive compensation), legal, investment, budget, cash management, audit, financial reporting, reimbursement, and business development.

Fiscal Year 2025 Budget Marklund

Executive Summary

The ***M2030 strategic plan***, now in full swing, has already achieved significant milestones since its inception in FY 2022. These accomplishments include the expansion of the locker room (MHC), construction of a Maintenance building (MHC), and the construction of the Nathan Education Center in Elgin. These projects, totaling over 11.3M, were completed without the need for any loans. In FY 2024, construction work also began on the expansion of MWC. Upon completion in the summer of 2025, this newly improved state-of-the-art facility will house our current two MC/DD programs (MPC & MWC) with an additional 3 beds; all 85 beds will now be 24/7 vent capable. The FY 2025 budget includes some costs associated with maintaining consistent operations at MPC while construction is ongoing at MWC.

In FY 2025, Marklund Revenues are budgeted at \$42M, which is up \$4.6M or 12.3% from our projected year-end numbers. The approved \$2.5/hour rate adjustment for direct care and front-line employees represents \$1.5M or 32% of the increase, while the school accounts for \$3M or 65%. The school revenue increase encompasses a full year activity at the NEC facility and approximately \$900K for our per diem rate adjustment.

Expenses are budgeted at \$48.2M, reflecting an increase of \$3.1M or 7%. This increase is primarily attributed to a net staffing expense increase of \$2.7M. Due to the success of our recently completed 16-week retention program, we can budget a reduction of \$1M in nursing agency expenses. Additionally, the retention bonuses (\$500K) currently being paid to MPC staff until the transfer of the current 21 residents to MWC have been factored into this budget. Special attention has been given to attracting new teachers to our schools by modifying the program design, allowing more planning time for the teaching staff and the hiring of more RBTs for our Life Skills programs. To ensure program stability and discourage teacher resignations during the school year, all teachers and instructional coaches will sign annual contracts with the Marklund Day School beginning in FY 2025. Furthermore, to remain competitive and continue to attract qualified prospects, management has included an average merit increase of 3% for all eligible employees.

For FY 2025, Marklund is projecting a GAAP operating loss of \$6.2M, or a cash basis net loss of \$3M, after adding back non-cash items related to depreciation and bad debt allowances. Management expects to transfer \$100K in existing restricted and designated donations to offset some of the net loss while Development activities are expected to cover the remaining balance. Overall, consolidated results are projected to contribute approximately \$1.5M to Marklund operations.

Fiscal Year 2025 Budget

Marklund Expenses Allocation Method of Indirect Expenses

Administration Dept. (Mgt and Gen'l):

Includes such expenses as salaries and benefits, information systems, mileage, occupancy (rent, utilities, telephone...), furniture, equipment and depreciation. These expenses are incurred solely to support Marklund programs and sites. Therefore, administrative expenses are recorded and tracked in one cost center and allocated among various programs and sites as part of the level of care provided to our clients. Management has decided that the targeted level of administrative expenses to be allocated is 10% of direct expense of each individual program.

Transportation:

Includes such expenses as repairs, fuel, insurance, depreciation and outside service fees; allocated expenses in this area are based on expected actual usage by each program and site.

Advertising- Help Wanted:

This expense is incurred to advertise for open positions throughout the organization. We have found the most representative allocation method for advertising is to spread expenses based on salary costs. As a result, advertising budget for open positions will be based on each program's and/or sites' percentage of total salary expenses.