



*The Dollars and Sense of Sheltering: Tools for Financially
Evaluating your Shelters Programs*

Live Webcast Audience Questions and Answers

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- 1) **Q: For those wanting to set up a shelter, could you recommend some resources or a brief summary of approaches?**

A: I would strongly recommend, before starting a shelter, that significant time be spent planning and forecasting financial scenarios. It would be time well-spent to sit down and develop pro-forma balance sheets, income statements and cash flow statements. Pro-forma statements are developed in advance of the planned activities or transactions and can help a great deal in planning and anticipating possible financial problems in the future. Beyond anticipating problems, developing financial statements as part of the planning process can also help to point out where potential improvements can be made, how resources could be used more effectively, etc. In addition to developing financial statements, develop enterprise budgets for each of the types of animals (for instance, kittens, puppies, dogs and cats) that you expect to be caring for. Think critically about the anticipated costs of each animal. Budgeting in advance will provide you the opportunity to seek ways to reduce costs, seek additional financial resources and plan for possible challenges. Do not just plan for the outcome you are expecting – develop multiple scenarios, including best and worst case scenarios, to see how resilient your plans are to changing economic conditions or increasing animal care costs.

- 2) **Q: Fixed costs were described as being attached to real estate. Can fixed costs also be attached to non-real estate items like website hosting?**

A: Certainly, fixed costs can be items other than real estate. Real estate expenses, including repairs, taxes and insurance are commonly pointed to fixed costs, but any cost that does not change with the amount of goods or services provided is a fixed cost. So, items like website hosting, where you pay a given rate to receive the service regardless of the number of animals served or additional clients served could indeed be a fixed cost. Fixed costs are definitely not limited to real estate, and in some cases fixed versus variable costs will depend a bit on how the shelter or business is set up and operated.

- 3) **Q: How about cost per animal per day? Adding the per day levels the field.**

A: You could certainly think about evaluating costs per animal per day in the shelter. I would caution, however, that the cost per day is not necessarily a totally level playing field because it is dependent on the total number of days that particular animal spends in the shelter. Costs, like vaccines, spay/neuter or other intake costs, are incurred by each animal; however, if you spread those costs over the total number of days the animal spends in the shelter, the total cost/day will vary. It may be a bit misleading to see a very

low cost per animal per day because that could either mean that costs are low or that an animal has stayed a long time in the shelter (e.g., intake-related expenses are being spread over more days). Admittedly the animal staying longer would also accrue more food and maintenance expenses, but depending on the number of days that animals average in your shelter, this could be much less (or much more) than those initial intake expenses.

4) Q: Can you give us a formula for an enterprise budget?

A: The formula behind the enterprise budget for a puppy, for example, is:

Total Expected Puppy Revenue
– Total Expected Puppy Variable Costs
– Total Expected Puppy Fixed Costs (share of fixed costs)

= Net Income (per puppy)

* The key here is to ensure that you are accounting for all variable and fixed costs. Be sure you have thought about the following expenses:

- Spay/Neuter
- Food
- Vaccines
- Veterinary Expenses
- Health Testing
- Flea Control
- Heartworm Preventative
- Other Medications
- The possibility of illness and needing additional meds and veterinary care
- De-wormer
- Microchip
- Labor expenses
- Manager expenses
- Office expenses
- Dog/Cat/Puppy/Kitten Supplies (blankets, etc.)
- Paper towels
- Cleaning supplies
- Replacing cages, etc.
- Repairs
- Maintenance
- Taxes
- Insurance
- Gas/Vehicle/transport expenses
- Legal expenses
- Payments to outside service providers
- Training
- Leashes/collars/etc.
- Miscellaneous Supplies

- Yard/Landscaping maintenance

* This list is intended to help provide ideas, but is certainly not exhaustive. Consider your own situations to ensure that you are not missing expense items.

5) Q: Is there a danger of shelters making a decision to euthanize “unprofitable” animals faster using the enterprise budgeting model?

A: How a shelter chooses to handle “unprofitable,” potentially low-revenue (not likely to be able to generate an adoption fee) or high-cost animals is unlikely to be directly impacted in a negative way by pre-planning and budgeting. If anything, by planning and budgeting, a shelter should be able to plan in advance to handle high-cost or special needs animals. Enterprise budgeting will not make these animals any less profitable than they would have been without budgeting and planning. However, being aware of animals that may be higher in expenses, or harder to generate adoption revenue to cover their own expenses, allows shelter managers time to devote towards pursuing avenues to cover expenses in these animals. Potentially, advanced planning could help ensure available funds to cover expenses in these animals by providing time to fundraise, seek cost-saving measures associated with their care and communicating their needs to stakeholders. Enterprise budgeting will not change the costs/revenues associated with these animals, but will allow shelter managers more information to use in planning their care.

6) Q: Can you give some examples of how to measure “lives saved”?

A: Typically an enterprise budget would seek to evaluate the revenue left after paying all expenses associated with a unit of production. In the shelter context, this equates to the revenue left after paying all expenses associated with each dog/cat/puppy/kitten. Of course, shelters are also concerned about the total numbers of animals that they are able to help. Thus, in addition to tracking financial indicators, we also tracked the total number of animal lives impacted through the operation of the shelter (i.e., “lives saved”).

7) Q: This is good for “private” shelters but how do these concepts apply to “open” public shelters that have to take in all comers?

A: All of these concepts apply to both private and open public shelters. While public shelters may not have the ability to turn down any animal – that does not mean that they cannot improve their efficiency and overall ability to complete their mission through financial planning and knowing in advance of animal showing up at the doorstep what it will cost to rehabilitate or rehome that animal. While there may be additional challenges with having to take in all that come, planning and budgeting in advance can be extremely beneficial when an animal appears at the door – you already have an idea of what is coming in terms of financial impacts to the shelter overall.

8) Q: What comments do you have for shelters that are programs of municipal governments and thus not necessarily able to capture their revenues for their programs -- i.e., they are not real enterprises?

A: Managers working in shelters which are not able to capture their revenues generated are still indeed managing enterprises. For shelters not able to capture their revenues generated, alternative measures are extremely important. The enterprise budget in this case essentially has zero revenue, but all costs are still very real. Depending on the situation, budgeting and financial planning can still help to ensure efficiency and that the most possible animal lives are being impacted for the fund and resources available. For example, is the shelter running on a fixed budget or is funding tied to total animals housed? In this case I could certainly foresee measuring the “total expenses per life saved” on a monthly basis and keeping track of how efficiently resources are being used. Even without a revenue stream tied to adoptions, there is room to measure how well we are employing those resources to impact as many lives as we can.

9) Q: How do you budget for daily feeding costs or the difference between a 1 week stay and a 5 week stay?

A: Food is a particularly tricky expense for multiple reasons. It is tied to the length of stay AND is heavily impacted by the size of the animal. Clearly a 5 lb. puppy will eat less than a 25 lb. puppy, even of the same age. Thus, feeding costs can be difficult. In our work, we have sought to determine the consumption of a given animal (for example, the consumption of the average medium-sized dog) on a weekly basis and then use that weekly value to calculate a per day rate. Then, you can appropriately charge for a 5 day stay as 5/7 of a weekly stay. We used a week – rather than a single day – as the value we measured intakes over in order to allow for some error in measurement for food intake, because it can be rather variable.

10) Q: The cost of processing and acknowledging small donations affects positive profit. You obviously don't want to turn potential donors away, but how do you manage those costs (or plan for them)?

A: Processing donations (small ones included) would likely be part of your overhead/office/promotions expense, depending on how you are organized. Your point is well taken, it costs money to process small donations just like it costs money to process larger ones. On a per dollar of revenue basis those smaller donations are more costly, as they each take time to process/acknowledge, but for less revenue.

Here are a few ideas:

- Enlist a volunteer to process and acknowledge donations. Is it possible to make this a well-trained volunteer’s activity (perhaps someone who wishes to contribute but lacks direct hands-on animal experience) to cut down on cash costs?
- Is it possible to automate a response for donations below a certain threshold? This is admittedly easier in the case of online donations.
- Some of the expense of processing and acknowledging depends on how you are acknowledging the donation. Is this a simple receipt to the donor and recording of the donation for legal purposes or something more elaborate? If it is something more elaborate, does the donor have the option of opting out up-front?

In other words, if I donate and am therefore qualified to receive a t-shirt or a calendar as a gift, can I decline the offer? The contributor may prefer to not receive; they may not wish to put any additional expense on the charity associated with their donation. The number of people who fall into this category of not wanting anything (except a receipt) may be larger than we think. That said, if donors are accustomed to more acknowledgement than this, care should be used to not alienate anyone.

The link to the IRS rules on charitable donations is:

<http://www.irs.gov/Charities-&-Non-Profits/Substantiating-Charitable-Contributions>

The amount of documentation the donor may require from you is a function of how much they claim in charitable donations as well as whether they received goods or services in return.

11) Q: Often an animal can be saved only by being moved a considerable distance (at a fairly large cost); the resources used in moving the animal are therefore unavailable for saving others. How can we dissuade people from undertaking such movement?

A: I hope I understand the question properly. I believe you are asking about the expenses associated with adopting to people far distances from the shelter. If so, this is indeed a concern. Arguably, it would be cost-minimizing to have adopters and animals nearest each other connect – rather than having animals crossing paths with other animals to get to their forever homes.

There are a number of reasons this may occur; thus, the answer is not a simple one. Why are potential adopters going so far from home to seek animals? Is it the pursuit of a particular animal or breed? Is it an inability to adopt closer to home (i.e., where potential adopters declined at their local shelter or do certain regions have a shortage of adoptable animals available)?

In my work on sheltering, I have encountered many potential adopters who were turned down for animals at their local shelter and turned to groups/shelters further away who were willing to work with them. This may be people in apartments, those without fenced-in yards, or those otherwise not meeting the standards to adopt in their nearest shelter. Therefore, they venture further. Alternatively, it could be that individuals are seeking a particular breed or animal. Thus, increased communication between potential adopters and shelters may help to make matches closer to home, rather than have people look further away to find an animal of a certain breed or size (when a similar animal may be turning up in their local shelter the following week, for example). All of the above are long-term solutions that will require enhanced communication and changes in how the public interacts with shelters.

What can you do in the short-term? Certainly, you could charge for transportation outside of a certain radius. Charging the fee would work in two ways: 1) recovering large transport costs, and 2) likely driving some portion of adopters to seek animals closer to home. For example, the adoption fee could be \$250, with an additional “travel

fee” of \$100 if our volunteers must travel beyond 100 miles. Alternatively, you could partner with other shelters to create a network that can collaborate to reduce costs by sharing in transport expenses, etc.

- 12) Q: Are there certain activities that are more valuable to the shelter, (i.e., board members focusing on fundraising or in-shelter volunteering)? How do you value the activities of board members or do you?**

A: The value of various activities by specific individuals in your shelter is a very shelter-specific question. There is not an obvious across-the-board answer to whether a board member is more valuable in fundraising versus shelter volunteering. It will really depend on the specific skills that the individual brings to the table. The activities of board members should be valued just as any other labor would be valued. If it is paid, there is a clear cash expense associated with the task. In the case of volunteer time, the value of that time depends on what exact task is being performed. Board member or volunteer time certainly has value and should be considered at the opportunity cost of that individual’s time.

- 13) Q: Is there a “basic model” available to those who are in the beginning stages of building a shelter in a rural, poor environment?**

A: A shelter at the beginning stages has a few added challenges surrounding budgeting and financial planning, because you do not have records or past expenses/revenues on which you can base your estimates. However, the basic planning stages are very similar to those outlined for an existing shelter – budgeting and the development of financial statements to allow as much planning in advance as possible and to inform management decisions.

- 14) Q: How much value is social media in shelter promotions?**

A: The value of social media for shelters – and in most other industries – is a big question! It is likely that the value of social media is extremely high for some segments of the population and extremely low (or even zero) for other groups. So, it depends! The value placed on social media for your own shelter is going to be dependent on the location, general clientele and quality of communication via social media channels. The quality of information and timeliness of communication can be great via social media channels, but oftentimes you have limited control over what gets said, when and how that message is framed. Further, maintaining a presence in social media networks requires time and effort on the part of the shelter. Clearly social media networks have grown and are a major form of communication for a growing segment of the population. Thus, if channels are used to keep people informed and to stay in touch with stakeholders, then that can be a great asset. However, you may be limited to reaching only those you have already connected with. Given the mixed findings of how people use their networks– and the possibility of key stakeholders being absent from such networks, I would not rely entirely on social media networks for shelter promotion, but also incorporate some of the more traditional channels as well.