

HALE KIPA | 2016 | ANNUAL REPORT

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**ACT LIKE A CHARITY.
THINK LIKE A BUSINESS.**

It's a tough time to be a social service agency. Funding is harder than ever to come by. The work load is increasing. The social ills that we battle are worsening. What's a non-profit to do?

One thing that organizations can do in times like these is to think more like a business. That means bringing accepted business practices to their management, their funding, their marketing, and so on. Organizations that can do that are finding that business practices, especially entrepreneurial ones, are helping them fund their programs, create new efficiencies, develop audiences and much more.

There is a danger, though, that becoming businesslike can make the organization colder, less respon-

sive to its clients and less connected to its social purpose. Striking a healthy balance between practices and values is the key.

In a very real sense, Hale Kipa has been on the leading edge for this trend. Our new Old Fort Weaver Road campus is a recent example of a decision that plays well both for our mission and our bottom line. But many of our other internal practices have benefitted from smart, business-like management. It's how we have kept the focus on our mission for 46 years.

*The business side and
the heart of the organization
have to coexist,
because the heart is the whole point
of the work that we do.*

Punky Pletan-Cross
Chief Executive Officer





Early in my career, having already launched a small youth services agency in Massachusetts, I went off in pursuit of a business degree. My plan was to leave the public sector and to “make my fortune” in the private sector. But at Boston University business school a professor took me aside and said, “You don’t look like a private sector MBA. You belong in the public sector.”

He was right. I returned to public service and never looked back.

Nonetheless, the things I learned in that MBA program became fundamental to my ability to lead a non-profit. They complemented my passion and my belief in the work that we do with youth and families, and in the responsibility I feel to be an agent of change.

One of the very early lessons that I learned in being an Executive Director, long before the leader of a non-profit was ever called a “CEO,” was the catchphrase “no margin, no mission.” It meant that for a public sector agency to achieve anything in terms of their mission, they had to survive financially.

Since then, it has become accepted that business practices are fundamental to success in the non-profit sector, from accounting and finance, to marketing, operations management, and even organizational theory. Doing these things well are at the core of running a good non-profit today.

Hale Kipa’s focus on corporate culture comes from much of the work I did in my MBA program: theories about what motivates people; recognizing the strength of a focus on organizational culture; and knowing how that structure can help the organization achieve its mission.

Decades later, it is clear to me that my responsibility as a non-profit CEO is to provide the best environment for the staff who provide direct service. It needs to be done with a minimal amount of administrative intrusion. It needs to be done by providing solid infrastructure, scalability, and management. If we don’t do that, we are not going to be around to worry about doing good work.

But to say we are first and foremost a business, and secondly a human service agency is to miss the core point: The business side and the heart of the organization have to coexist, because the heart is the whole point of the work that we do.

NO MARGIN, NO MISSION

Like the archetypical start-up company in the proverbial “parent’s garage”, Hale Kipa started in small spaces — cramped, decentralized offices in the extra bedroom of some of our residential homes. As the organization expanded, the agency would move into rented commercial space to accommodate ever increasing clientele. Programs were launched and expanded as government contracts came in. The staff grew, and so did the budget.

The growth began in earnest with an influx of funding from the Child and Adolescent Mental Health Division (CAMHD) of the State of Hawaii. As a wide range of residential programs were funded, a firmer infrastructure was needed. Departments for human resources, accounting and finance, and information technology were added one by one — a structure fundamental to good business practices but not necessarily the norm in the not-for-profit sector at that time. The funding allowed the young agency to scale up, spreading indirect costs to be able to cover the new departments, which, in turn, enabled Hale Kipa to manage more programs.

In 1999, Hale Kipa decided to pursue national accreditation by the Council on Accreditation (COA). Accreditation said to the community that Hale Kipa had reached a level of maturity, that its programs and organization are up to the highest national standards. But by requiring the agency to set down real policies and procedures, and codify what had been to date oral procedures — accreditation was in itself a strong

step toward best business practices.

Hale Kipa was quick to recognize how vital Information Technology would become. Over 13 years ago, Hale Kipa began keeping electronic health records, the standard of record keeping that is now required by all agencies providing health services to government contracts/funders. Even today, there are large non-profits that provide behavioral health services in Hawaii who must return significant sums of money of their government funding for failing to appropriately document their services.

Technology enabled the organization to go state-wide. Staff could enter their progress notes into an electronic health record from any terminal, eliminating the need to be center-based. IT also cut Hale Kipa’s administrative costs by enabling a scalable infrastructure. The size of the business office has remained constant, even as the budget ballooned from \$6 million to \$11 million dollars.

The organization’s business model has taken an entrepreneurial bent at times, with mixed results. One of



our major funders, the Hau’oli Mau Loa Foundation, has supported our efforts to innovate, enabling Hale Kipa to pursue a charter school application, and a real life business (PAWS for a Cause) that enabled young people to learn about entrepreneurship as it generates self-supporting income. Not every innovation has or will bear fruit — but the spirit of innovation always does.

HEART & SOUL

How can an organization be businesslike and still maintain its soul? In many ways, getting efficient with business practices can actually free the organization to be more attentive to its clients, especially if work on the infrastructure follows a clear, well-thought-out path.



Emulating the entrepreneurial start-up, Hale Kipa holds meaningful All Staff meetings, culminating in an Annual Meeting for the agency as a whole that reinforces the essence of who we are, what we do, and why we do it. Everyone comes to understand that good business practices help them to do their job, and give them the freedom to follow their passion in helping youth. It turns out the strength of the business side is actually key to the heart and soul of the organization. Especially in difficult fiscal times, supporting core values with a solid infrastructure has proven to be a gyroscope, keeping us on course. During the recession Hale Kipa was not forced into competition with other agencies for dwindling resources, as many non-profits were.

Thinking creatively, the agency was able to stay focused on action. When contracts were lost, the programs they funded were closed sensitively, without precipitously discharging clients. We always looked for ways to stitch a new safety net.

In business parlance, our product is getting services to the street — the more we can help youth, the greater our “return on investment.” To that end, Hale Kipa will often choose to build programs rather than increase compensation or add people to the payroll.

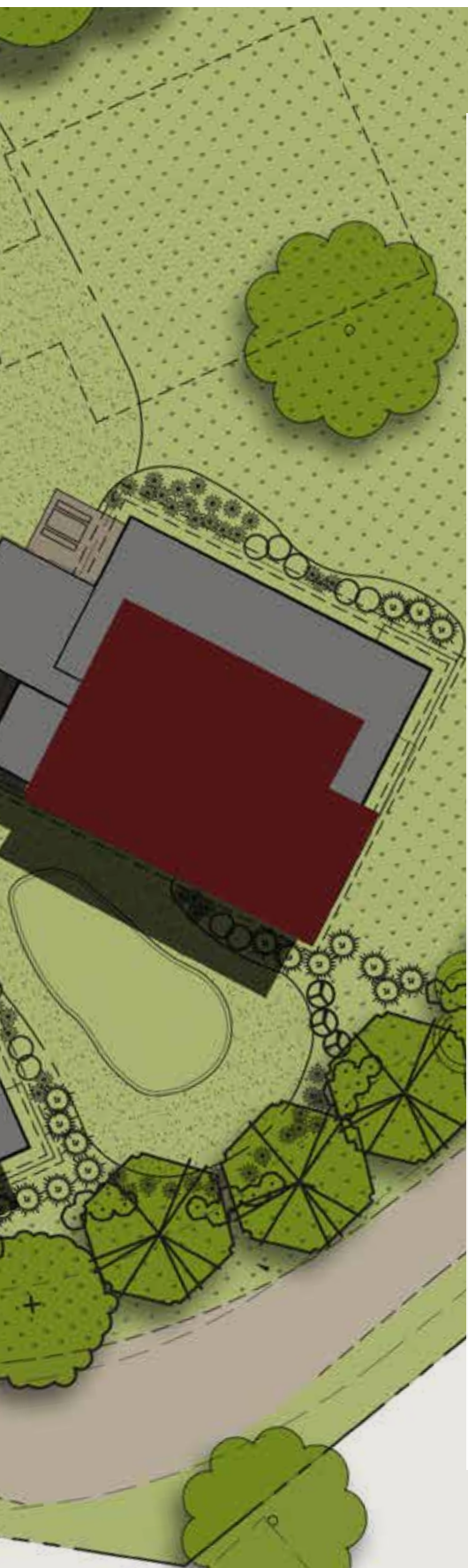
Even when adding programs, Hale Kipa looks for synergy with what we already do, using economies of scale to get the most bang for our funders’ buck. The business side of the organization is never senti-

mental about our program models, since they are not the essence of who or what we do.

The next step is into our own, purpose-built campus that comes from years of fully developed planning, the culmination of strategic business decisions. (See “A Home of our Own” pg. 9) The new campus will enable us to endure, and to keep the focus on the youth, instead of constant struggling for fiscal survival.

Running a non-profit like a business has its pitfalls, as we have seen in many organizations that have let a bean counter mentality creep into their services and programs. With our deep passion for our work with youth and commitment to a healthy corporate culture, that is not going to happen at Hale Kipa.





A HOME OF OUR OWN

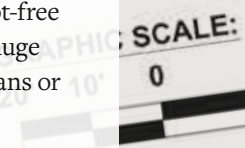
It is easy to think of our new complex on Old Fort Weaver Road in physical terms: two shelters and a service center. Seen another way, however, in a strategic light, the complex is even more to look at: it is, perhaps, the key to our survival and our ability to serve Hawai'i's youth well into the future.

The vision for a Hale Kipa campus was first identified in 2003. Over the intervening years it has gone through a number of iterations — size, scope of services, design, and, of course, funding sources all have changed. Each time we reassessed our vision in terms of current and emerging needs, and then “right-sized” that vision to align with the reality at the time. Sometimes the project sat idle like seeds in the desert, waiting for water to bloom.

At one point, the case was made that the campus idea is a throw-back to an old model, given trends toward telecommuting and the difficulty in raising capital during a recession. But the Board rightly argued that bringing together the agency's programs and administrative staff is fundamental to our commitment to build a lasting corporate culture.

Financially, the campus makes a lot of sense. On the simplest level, the complex saves at least \$100,000 a year in rent for our current facilities. And there may be other opportunities to monetize part of the 4-acre property. There is also an opportunity for new-market tax credits which could endow the organization with up to \$5 million as unrestricted revenue for programs. The facility itself is debt-free equity, adding \$8 million to Hale Kipa's net assets, giving us huge leverage — in the interest rates we would pay for cash flow loans or working capital.

Finally, for our staff who have worked for years in dilapidated facilities without complaint, and for those who have been isolated in the Piikoi administration offices, it's a welcome opportunity to come together in an attractive, modern facility. There we will be able to build on a culture that embodies who we are and who we want to be.



Nathaniel



PART OF THE TEAM

Working with youth, the most effective tool can be redirecting energy toward positive behaviors. But the key to success is choosing the right kind of activities, a process that takes real understanding of the youth's strengths and needs. When everything works, magic happens.

On that scale, the decision Hale Kipa worker Wainani Lee made with Nathaniel was a home run.

Nathaniel had gotten into trouble in Maui by the age of 13. Running with the wrong crowd. Skipping school. Drugs and alcohol. The move to Hilo helped by removing him from a bad element, but something more was needed.

When Nathaniel's probation office recommended Hale Kipa's Ka'i Like Program to help him with reading and math programs, his mother Yolanda jumped at the opportunity. She knew Nathaniel needed help to get focused, before he started slipping into old patterns.

"When he got involved with Wainani, he started to really progress," Yolanda remembers. But the method for getting him motivated was not exactly the scholastic standard.

"She got him into paddling," Yolanda related cheerfully. "At first he didn't want to try it, but I said, 'Try it, you may like it.'"

"Like it" is an understatement. Nathaniel liked everything about it. The physical workout. The water. The teamwork. The camaraderie.

His school work started to markedly improve. But that was just the beginning.

"My son's whole attitude toward life changed. He was happy, enjoying the competition. He was also enjoying his one-on-one time with Wainani."

It turns out Wainani had found the perfect answer for Nathaniel. She coupled the work he needed to succeed in school with a new activity that would build his confidence and self-esteem. The new attitude fueled the improvements, which in turn helped his teamwork in the canoe. Success breeds success.

Now Nathaniel is 16. With paddling season over, he's into wrestling and JV football. Thanks to his new confidence, he's been all over the defensive backfield with a few interceptions, and a 60-yard touchdown run. Hale Kipa helped the Costillos afford summer camp, too, where Nathaniel was able to cultivate positive friendships.

"Wainani is a beautiful woman," concludes Yolanda. "She did so much for us, but now she is like family. My kids got a new auntie."

TRUSTING THE PROCESS

Even in the most supportive families, a young person making her way into adulthood — with all its attendant challenges like work, college, living arrangements, and relationships — can have a very difficult time of it. For a youth navigating a dysfunctional home, foster care, and brushes with criminal justice, those challenges are magnified a thousand fold.

Which is what makes a story like Makana's so inspiring. As a self-described "ward of the state," Makana had to turn her life around before it spiraled out of control. But with a profound mistrust of adults, it was difficult to find a path. "From my foster experience, I was very confused about what was even normal. I remember staying in shelter for 6 months thinking 'this is normal.' Shelter is not normal."

Makana knew she was going down the wrong route, hanging with the wrong crowd. She was arrested for a felony at age 18 and pled guilty. Thankfully, they gave her probation.

Makana's social worker introduced her to Sheena Galutira of Hale Kipa's Imua Kakou program, which supports former foster youth in their transition to adulthood. Sheena gradually earned Makana's trust as they worked together to come up with a plan for the future.

"At first I was very standoffish. I snapped at her. But she was consistent. She stuck it out and proved to me that she really wants to help."

The plan they worked out would require an awful lot of initiative from her client, Sheena knew. But she also knew Makana was up to the challenge. "Makana is determined, resourceful, independent, and advocates for herself," Sheena observes. "She has consistently set goals for herself and makes good use of all the resources given to her."

Makana also had the support of a loving hanai family who has accepted her as their own. "Before that," she recalls, "I never had a structured existence. I did my own thing. They helped me be a part of a family. I came to believe I could do anything as long as I worked for it."

With Hale Kipa's guidance, Makana has received multiple scholarships, making it possible for her to focus on school without worrying about making a living. Hale Kipa's Independent Living Program has helped her make ends meet.

Today, Makana is working towards an associate's degree in business at Leeward Community College. She plans to transfer to UH West Oahu for her Business Management degree.

While her professional life is starting to take shape, she's put her personal life on hold for the time being. "First, I'm trying to figure out who I am. Then we'll see." But about one thing, Makana is very sure. Hale Kipa provided a helping hand when no one else had. "Without them I'd probably be in jail."



Makana

FINANCIAL STATEMENT

REVENUE and SUPPORT	2016	2015
Government Appropriations and Assistance	\$6,258,999	\$6,544,900
Contributions (Including Foundation Grants)	1,062,630	605,740
Aloha United Way Allocation	172,686	171,760
Interest and Dividends	7,658	4,650
Realized and Unrealized Loss on Investments	(16,491)	(7,220)
Gain (Loss) on Sale of Property (Note 1)	(180)	1,001,012
Impairment Loss (Note 2)	---	(206,848)
Other Income	79,872	12,077
Total Revenue and Support	7,565,174	8,126,071
EXPENSES and LOSSES		
Program Services	6,148,867	6,176,295
Management and General	1,210,899	1,040,958
Fundraising	58,618	93,438
Total Expenses and Losses	7,418,384	7,310,691
CHANGE IN NET ASSETS	146,790	815,380
NET ASSETS AT BEGINNING OF YEAR	3,485,993	2,670,613
NET ASSETS AT END OF YEAR	\$3,632,783	\$3,485,993

Note 1 - In February 2015, Hale Kipa sold property. The sales proceeds less the adjusted basis of the property was reported as a gain on sale of property of \$1,001,012.

Note 2 - Hale Kipa has incurred costs to design and build a new campus facility that will hold a majority of its program sites and administrative offices on Old Fort Weaver Road. This project was temporarily put on hold in 2008 and was recently started again in 2015.

During this time, Hale Kipa decided to change the design of the new campus facility. As a result, certain costs incurred on the original design were deemed to be impaired. The total cost of the work deemed to be impaired is included in the annual report as impairment loss of \$206,848. Financial Information as of June 30, 2016 and 2015.

Figures are excerpted from our audited financial statements.

A complete copy of the audited financial statement is available by writing or calling Hale Kipa, Inc.

NEWS

TRAFFICKING VICTIM ASSISTANCE PROGRAM (TVAP)

Hale Kipa has initiated new services in an exciting collaboration with Susannah Wesley Community Center (SWCC) and Parents and Children Together (PACT) in helping youth who have been victims of Commercial Sexual Exploitation of Children/Human Sex Trafficking. Each agency provides crisis response, safety plan, case management, and linkages to an array of safe, appropriate community supports. Hale Kipa will serve youth on the islands of Hawai'i, Kaua'i, and O'ahu.

THE STRATEGIC PLAN

The 2015 Strategic Planning process was a turning point for Hale Kipa.

The Board of Directors articulated a vision of an organization that lives its values and its guiding principles; that is committed to a corporate culture as the “connective tissue” for our long-term success; and that models the behavior and values that we ask of our staff.

We came out of the process with renewed energy to persevere in our mission with courage and creativity, with responsiveness and flexibility. Those qualities, aptly, are the very things we ask of the youth and families we serve as they confront the challenges in their own lives.

Moreover, the Planning process enabled the Board to assume the role of “keeper of the flame.” When the current executive team steps down, the corporate culture and values system we have worked so hard to develop will live on. The Strategic Plan is Hale Kipa's blueprint for the future, so that as we evolve and grow, we will always keep the focus on our strengths and our purpose.



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