

# NONPROFIT INVESTOR

## INDEPENDENT RESEARCH FOR PHILANTHROPY

### Swords to Plowshares

Nonprofit Investor Rating:

**NEUTRAL**

#### Mission Statement

To heal wounds, restore dignity, hope, and self-sufficiency to veterans in need and to reduce homelessness and poverty among veterans.

#### Financial Overview

*\$ in MM, Fiscal Year Ended June 30*

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenue and Support	\$6.9	\$6.3	\$8.0
Operating Expenses	\$7.8	\$8.5	\$8.4
<b>% of Total:</b>			
Program Expenses	86.0%	85.4%	83.7%
G&A	11.1%	10.8%	10.7%
Fundraising	2.9%	3.8%	5.5%

**Year Founded:** 1974

#### Contact Details

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#### SUMMARY

Swords to Plowshares ("Swords" or "STP") provides care to more than 2,000 veterans annually in the San Francisco Bay Area by providing health and social services, supportive housing, employment and training, and legal assistance with veterans benefits.

#### STRENGTHS

▲ **One-Stop Resource Creates Higher Success Rate.** Swords understands that reducing homelessness requires more than providing a roof over the head. Swords simultaneously addresses many other issues such as employment training, counseling for substance abuse or mental illness, and confidence building to help veterans rebuild a civilian life. Of the 110 veterans provided with permanent housing in 2011, none reverted back to homelessness.

▲ **Leverages External Sources.** Swords has collaborated with the Chinatown Community Development Center to offer affordable rental housing, industry-leading companies to provide employment opportunities, and community colleges to offer customized courses.

▲ **Uses expertise to influence others and change policy.** In 2011, Swords hosted training for 1,214 attorneys on how to file and win veterans benefit claims.

#### CAUTIONS

● **Government grant concentration.** Over 85% of funding comes from government grants, and the loss of any grant would likely have a material impact.

● **Employee Effectiveness and Reach.** With 146 employees on staff assisting 2,000 veterans per year, it would seem that each employee helps only 10 to 15 veterans per year, which seems low. Not to mention, 64% of total expenses go towards salaries and benefits, which could seem high given such an effectiveness level.

▼ **Recurring Financial Operating Losses.** Swords has also had a financial loss for the past 3 years, and while this is not uncommon for non-profits, losses over many years may threaten the sustainability of an organization and its ability to keep providing benefits.

#### RECOMMENDATION: NEUTRAL

Swords has made great strides in providing a variety of services to reduce homelessness among veterans and has even engaged other community organizations with specialized expertise to help with their efforts. However, the organization has operated at a financial loss for 3 years and program expenses as a percent of total expenses have been declining each successive year.

## OVERVIEW OF SWORDS TO PLOWSHARES ACTIVITIES

Swords to Plowshares provides care to more than 2,000 veterans annually in the San Francisco Bay Area. Swords is committed to helping veterans break through the cultural, education, psychological and economic barriers they face in their transition to the civilian world. With a mission to heal wounds, restore dignity, hope, and self-sufficiency to veterans, Swords provides core services such as health and social services, supportive housing, employment and training, and legal assistance.

## PROGRAM RESULTS AND EFFECTIVENESS

<u>Programs</u>	<u>Results and Effectiveness</u>
<b>Supportive Housing</b>	
<ul style="list-style-type: none"><li>• <b>Permanent Housing: The Veterans Academy</b> offers housing to 102 formerly homeless veterans, providing one meal each day and access to on-site counseling and academic instruction.</li><li>• <b>Transitional Housing: Treasure Island</b>, located on the former Naval base, is an assisted living facility that offers up to two years of housing and supportive services in a sober environment, housing up to 70 homeless veterans. Two large and safe homes (<b>DeMontfort Street</b>) provides supportive services for 22 veterans at a time.</li><li>• <b>Family Housing: Chinook</b>, located on the former Treasure Island Naval base, consists of 12 single family units.</li><li>• <b>Affordable Housing: Veterans Commons at 150 Otis Street</b> is a partnership with the Chinatown Community Development Center to provide affordable rental housing. Currently in development, the complex will have 76 studio apartments beginning October 2012.</li></ul>	<ul style="list-style-type: none"><li>• Housing provided for 110 formerly homeless veterans with disabilities in 2011. Of the residents who moved on during 2011, <b>none reverted back to homeless</b>.</li><li>• In aggregate, Swords provided transitional housing for 138 homeless veterans in 2011, with 109 (79%) moved to permanent housing.</li></ul>
<b>Employment &amp; Training</b>	
<ul style="list-style-type: none"><li>• <b>Career Pathways</b>, a vocational training program, trains veterans for jobs in high-growth, high-wage industries such as clean energy, green marketing, transportation and healthcare.</li><li>• Swords works with employers and community colleges to develop customized courses in growth industry sectors.</li></ul>	<ul style="list-style-type: none"><li>• In 2011, 527 veterans were provided with employment services. Job training was secured for 469 veterans and 290 veterans were placed in jobs, of which 111 were homeless and 15 were previously incarcerated.</li><li>• In 2011, 117 veterans participated in customized courses.</li></ul>
<b>Legal Services</b>	
<ul style="list-style-type: none"><li>• One of the few organizations in the country that provides free attorney representation in Department of Veterans Affairs (VA) benefits and military discharge upgrade cases to veterans of any era or discharge status. Veterans with representation are 25x more likely to obtain appropriate benefits. Current backlog of 1 million disability claims at the VA. An average of 89% Bay Area veterans have not accessed their VA benefits.</li></ul>	<ul style="list-style-type: none"><li>• In 2011, Swords' legal department served 365 veterans, providing advice to 161 veterans and ongoing representation to 204. Nearly all (94%) of cases adjudicated were in the veteran's favor, averaging \$27,379 in retroactive benefits and \$1,341 in ongoing monthly payments. In 2011, Swords also trained 1,000 attorneys looking to give back.</li></ul>

## Programs

### Health & Social Services

- Swords' Drop-in Clinic is a one-stop resource providing services to all veterans, regardless of length of service or discharge status, including counseling for mental health, post-traumatic stress, and finances.

### Advocacy & Policy

- Started in 2011, the Institute for Veteran Policy (IVP) is dedicated to strengthening existing systems of care for veterans and their families through legislative advocacy, research and analysis, coalition building and community education.

## Results and Effectiveness

- The clinic arranged 1-4 weeks of emergency housing for 235 homeless veterans, financial assistance to 156 veterans moving to permanent housing, and 89 veterans with eviction prevention.

- On May 6, 2011, the IVP and Swords' legal department delivered a training for attorneys through the Practising Law Institute (PLI), on veterans benefits, how to develop and win the VA claim, and military discharge review issues. 1,214 attorneys participated--the largest PLI program ever held.

## TRANSPARENCY

STP provides the required financial information from 2009 to 2011 in its financial statements and Form 990s on its website. The website also includes information on a Conflict of Interest Policy and Whistleblower Policy.

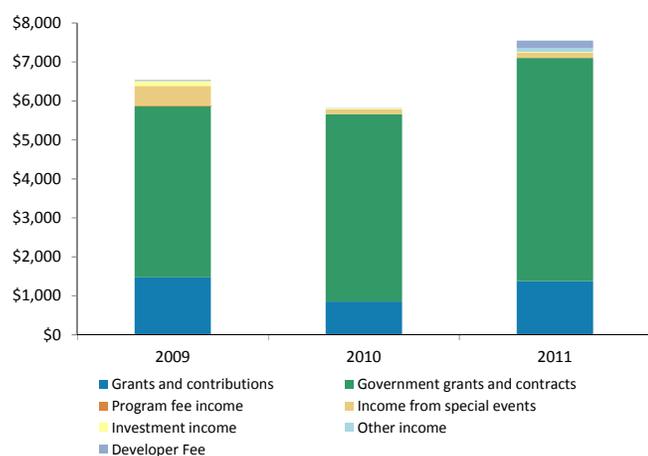
Some statistics that STP provides could be left to various interpretations. While 2,000 veterans are helped annually, the benefits per veteran could range from a 15 minute conversation to permanent housing. A breakdown by program would prove more helpful.

## FINANCIAL OVERVIEW

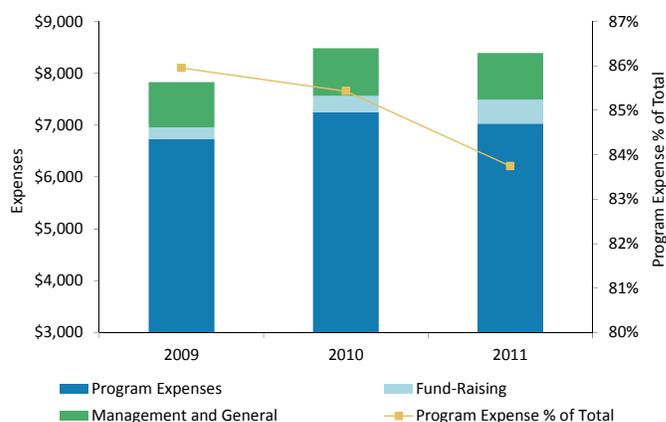
Notably, STP reports its results in accordance to Government Auditing Standards (GAS). This differs from most non-government non-profits that report results according to Generally Accepted Accounting Principles (GAAP).

### Revenue Breakdown

\$ in '000



### Expense Breakdown

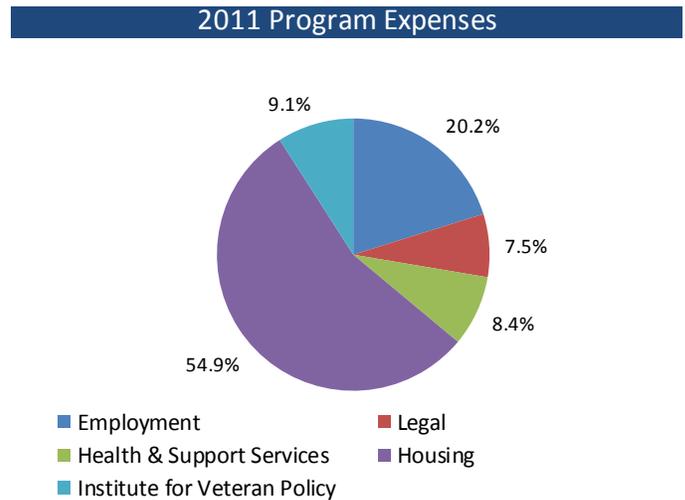


Revenue: Grants and contracts, including government grants, comprised 88% of STP's revenue sources in fiscal year 2011. Grants include those from the Department of Housing and Urban Development, Department of Labor, Department of Veterans Affairs, Department of Health and Human Services, and the Federal Emergency Management Agency. Grants and contracts represented 85% and 89% of revenue sources, for fiscal years ending 2009 and 2010, respectively. While government veteran assistance will likely not see material cuts, the concentration is worth noting.

Fundraising as a percent of total expenses have increased sequentially since fiscal year 2009. It is positive to see that Swords is trying to diversify funding sources and targeting non-government grants, as total grants and contributions (excluding government grants) has increased from 13% to 17% of total revenue sources.

Expenses: Program expenses are spent on Housing (55%), Employment Services (20%), Advocacy & Policy (9%), Health & Support Services (8%), and Legal (8%). Notably, on the financial statements, the Iraq Vet Project was renamed the Institute for Veteran Policy. Cost per beneficiary follow a similar breakdown, with Housing costing \$14,828 per veteran, Employment costing \$2,419 per veteran, Legal helping \$1,439 per veteran, and Health helping \$1,231 per veteran.

General and administrative expenses make up 10.7% of total expenses and fundraising represents 5.5% of expenses. Program costs as a percent of total expenses for fiscal year 2011 were 83.7%. For fiscal year 2009 and 2010, this percentage was 86% and 85.4%. The declining trend is worth noting and something to monitor.



With 146 employees, the total spent on salaries, payroll taxes, and benefits in 2011 was \$5.4 million, or an average salary of \$37,033. While this salary seems reasonable, in an organization where the bulk of expenses are spent on Housing programs, the fact that 64% of total expenses go towards salaries could seem high. Moreover, we estimate, given the available STP statistics, that on average, each employee assists roughly 10 to 15 veterans per year. This number seems low; however, it is difficult to quantify the value or impact each employee or program brings, particularly as veterans can overlap across programs and the care given to a veteran can consume countless hours of personal service and attention, depending on the severity of his or her condition.

Additionally, On STP's 2011 Form 990, 25 volunteers were reported, but the website mentions that 1,000 attorneys interested in providing pro bono services were trained in 2011. This raises questions either in the reporting accuracy of number of volunteers or a wide difference in attorneys trained versus attorneys that chose to volunteer, the latter being more of a concern in the effective use of training resources and time.

Most notably, Swords has been running at a financial loss for the past 3 years. While this is not uncommon for non-profits, losses over many years may threaten the sustainability of an organization and its ability to keep providing benefits. At fiscal year-end 2009, STP had \$2.2 million of cash on hand. However, at the end of fiscal year 2010, STP only had \$127,000 of cash. STP did end fiscal year 2011 with roughly \$600,000 of cash, giving the organization more flexibility. That said, STP's sustainability could come into question if its cash management and financial operations are not more closely monitored.

	2009	2010	2011	Source:
<b>Revenue and Expenses (GAS Accounting Basis)</b>				
Revenues and support				
Grants and contributions	\$1,475,137	\$854,561	\$1,375,862	Audited Financial Statements (GAS)
Government grants and contracts	4,392,028	4,808,389	5,729,900	Audited Financial Statements (GAS)
Program fee income	363,772	526,044	503,000	Audited Financial Statements (GAS)
Income from special events	517,257	115,743	127,424	Audited Financial Statements (GAS)
Investment income	124,583	27,504	25,289	Audited Financial Statements (GAS)
Developer Fee	18,464	0	192,500	Audited Financial Statements (GAS)
Other income	6,211	14,152	96,927	Audited Financial Statements (GAS)
<b>Total Support and Revenues</b>	<b>\$6,897,452</b>	<b>\$6,346,393</b>	<b>\$8,050,902</b>	
% Growth		-8.0%	26.9%	
Expenses:				
Program services	\$6,728,713	\$7,244,841	\$7,025,582	Audited Financial Statements (GAS)
Management and general	871,126	916,961	898,444	Audited Financial Statements (GAS)
Fundraising	228,644	318,726	465,432	Audited Financial Statements (GAS)
<b>Total Expenses:</b>	<b>\$7,828,483</b>	<b>\$8,480,528</b>	<b>\$8,389,458</b>	
% of Revenue	113.5%	133.6%	104.2%	
<b>Change in Assets</b>	<b>(\$931,031)</b>	<b>(\$2,134,135)</b>	<b>(\$338,556)</b>	
<b>Program Costs as a % of Total Expenses</b>	<b>86.0%</b>	<b>85.4%</b>	<b>83.7%</b>	
<b>G&amp;A as a % of Total Expenses</b>	<b>11.1%</b>	<b>10.8%</b>	<b>10.7%</b>	
<b>Fundraising as a % of Total Expenses</b>	<b>2.9%</b>	<b>3.8%</b>	<b>5.5%</b>	
<b>Program Expenses by Function</b>				
Employment	857,591	1,150,253	1,417,797	Audited Financial Statements (GAS)
Legal	544,197	579,615	525,244	Audited Financial Statements (GAS)
Health & Support Services	722,996	730,499	590,953	Audited Financial Statements (GAS)
Housing	3,212,769	3,474,640	3,855,409	Audited Financial Statements (GAS)
Institute for Veteran Policy	0	0	636,179	Audited Financial Statements (GAS)
Iraq Vet Project	1,391,160	1,309,834	0	Audited Financial Statements (GAS)
<b>Total Program Expenses</b>	<b>6,728,713</b>	<b>7,244,841</b>	<b>7,025,582</b>	
<b>Cost per Beneficiary</b>				
Number of Veterans Helped (2011)				
Employment			586	Website
Legal			365	Website
Health & Support Services			480	Website
Housing			260	Website
Cost per Veteran (Employment)			\$2,419	
Cost per Veteran (Legal)			\$1,439	
Cost per Veteran (Health & Support Services)			\$1,231	
Cost per Veteran (Housing)			\$14,828	

### THIRD PARTY RATINGS

Swords to Plowshares is not rated on Charity Navigator, Philanthropedia or GiveWell. Swords has a rating of 5 stars (out of 5) on GreatNonprofits, based off of 15 user reviews (13 reviews at 5 stars, 2 at 4 stars, and 1 at 2 stars). Most reviews are very positive and highlight positive experiences with the organization, both from clients assisted and volunteers.

## GET INVOLVED

- Volunteer: STP is looking for pro bono attorneys to help veterans apply and receive VA benefits. In 2011, Swords trained 1,000 attorneys looking to give back.
- Donations (<http://www.swords-to-plowshares.org/support-vets/donate-now/>)

## DISCLOSURES

Emily Wang certifies that she does not have any affiliation with Swords to Plowshares and has never made a donation to the organization. Additionally, Emily Wang has not supported directly competing organizations in a greater capacity than a nominal donation. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.

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