



Non-Profit Company

Turnaround of the Year

Lutheran Social Services of Illinois

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Starting in 1867, and continuing for more than 150 years, Lutheran Social Services of Illinois (“LSSI”) is a non-profit social service organization of the three Illinois synods of the Evangelical Lutheran Church in America. LSSI is the largest statewide social service provider in Illinois, serving approximately 70,000 people each year. The demographics of clients served by LSSI generally reflect those of Illinois’ population, with one important exception: *more than 80 percent of LSSI clients report an annual household income under \$15,000, compared to only 12 percent of all Illinois households*. LSSI provides critical programs for the state’s most vulnerable residents including foster care, mental health services, alcohol and drug treatment, affordable senior housing, residential programs for people with developmental disabilities, and programs that help formerly incarcerated individuals integrate back into society.

At the time of Harney Management Partners’ (“HMP”) engagement, LSSI was in an unsustainable position. The liquidity position and operating deficits during its fiscal year ended June 30, 2016, were caused by the State of Illinois budget impasse, LSSI’s operating performance, and the continuation of certain services that no longer supported the overall organization; however, the budget impasse was the largest driver. LSSI was providing the services, but only being paid for a portion of those services. Working capital from its lender and foundation were maxed out and cash was extremely tight.

With the assistance of a very capable and proactive management team, HMP implemented a number of key activities to turnaround both the operational and financial performance of the organization, all of which were accomplished *outside of a bankruptcy proceeding*, and while considering the needs of the clients. These included closing certain operations which were being unfunded by the State (\$3.5MM savings), transitioning 800 employees to new service providers while maintaining continuity of care (\$2.0MM), eliminating unprofitable programs (\$455K), right size headcount and curb excess spending (\$2.0MM), sold and refinanced certain facilities (\$4.4MM), and diversified revenue streams to reduce reliance on the State.

Through various restructuring initiatives, completed by May 31, 2016, the organization’s operating deficit (\$5.5MM) and cash loss from operations (\$3.6MM) for the year ended June 30, 2016, were forecast to be reversed with a projected operating surplus of \$1.2MM and net cash flow of \$4.1MM for its fiscal year ended June 30, 2017.

As a result of HMP’s efforts, LSSI’s core operations were saved, its services to the community were made sustainable, and affected staff and clients were smoothly transitioned to other service providers.