

Communities Learning Together

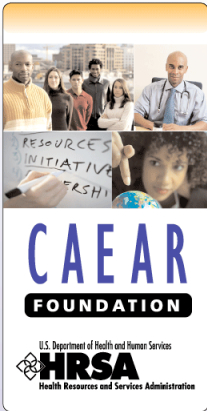
Advancing HIV Care and Support through
Fiscal Management and Organizational Development

Income/Revenue Diversification

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Developed under cooperative agreement with HHS, HRSA, HAB
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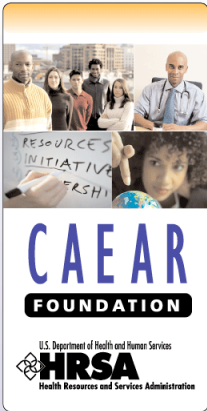


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Module 1:

Introduction to Income/Revenue Diversification



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Why Have Multiple Income Streams?

Why Have Multiple Income Streams?

- Sustain or expand services
- Strengthen or stabilize agency's overall financial position
- Avoid excessive dependence on any single revenue source
- Reduce the risk of financial crises and/or interruptions in funding that would result in negative effect on services, clients and agency mission



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GROUP QUESTION:

What Kinds of Revenue does your agency have?

Types of Income

Contributed Income

- **Institutional Fundraising**
 - Foundations
 - Corporations
 - Churches, Civic Groups
- **Individual Fundraising**
 - Direct mail/phone
 - Membership
 - Donations/Gifts
 - Planned Gifts (bequests)
- **In kind Goods and Services**

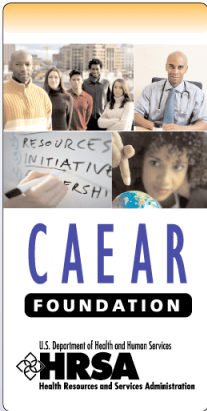
Earned Income

- **Related Income**
 - Government contracts & grants
 - Fee for service (3rd party reimbursement and patient fees)
 - Service subcontracts
 - Interest, investment income
- **Unrelated Income**
 - Rental income (equipment, property)
 - Social enterprise/business



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WHAT IS THE RIGHT DISTRIBUTION OF TYPES OF FUNDS FOR AN AGENCY?



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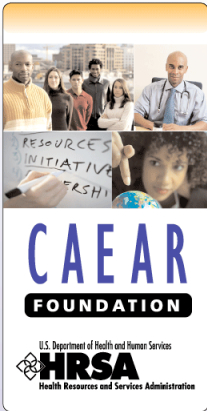
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ANSWER:

- **THERE IS NO RIGHT ANSWER OR “RULE OF THUMB”**
- **IT IS ALL BASED ON THE CIRCUMSTANCES OF YOUR AGENCY AND YOUR ABILITY TO RAISE FUNDS.**

Assessing Your Agency's Revenue Diversity

- Conduct an income trend analysis to see changes in different revenue streams.
- Based on the income trend analysis, determine what is the overall “financial health” of the organization



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Module 2:

Income Trend Analysis and Case Study

Conducting an Income Trend Analysis

- Identify categories of income. These should follow your agency's Chart of Accounts (methods by which you categorize income).
- Prepare Table which includes income source (with appropriate levels of detail) and amount for last 3 years.
- Calculate income source as percentage of total income
- Compare total income and percentages of income groups over time.



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Income Trend Analysis Case Study

- Divide into teams of 4.
- You are members Alpha Beta Health Center Board of Directors.
- Your Director of Finance and Development have prepared the following table on income over the past three fiscal years.
- Select 1 person to facilitate the discussion; 1 person to serve as the reporter back to the full group.
- Review the income statement on the next page
- What can you conclude about the agency's income and revenues?



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Alpha Beta Health Income Trend Analysis, 2003-2005

	2003		2004		2005	
Funding Source	\$	%	\$	%	\$	%
GOVERNMENT CONTRACTS	325,000	50.0 %	300,000	50.8 %	275,000	52.4%
FOUNDATION GRANTS	175,000	26.9 %	145,000	24.5 %	125,000	23.8 %
FUNDRAISING	145,000	22.3 %	140,000	23.7 %	125,000	23.8 %
<i>Annual Fund Campaign</i>	<i>25,000</i>		<i>20,000</i>		<i>15,000</i>	
<i>Major Gifts</i>	<i>45,000</i>		<i>55,000</i>		<i>50,000</i>	
<i>Events</i>	<i>75,000</i>		<i>65,000</i>		<i>60,000</i>	
INTEREST	5,000	0.8 %	5,000	0.8 %	---	0.0 %
TOTAL	650,000	100.0	590,000	100.0	525,000	100.0

What might we conclude from the trend analysis?

- Not solely dependent on any one source of funds.
- Agency is well diversified with multiple sources of public and private funding.
- Overall decline over past two years in total revenue (~ 20 %, from \$ 650,000 in 2003 to 525,000 in 2005).
- Agency has not been able to offset losses in government grants with additional funding from Foundations or through private fundraising.
- Elimination of interest income in 2005 suggests that agency has used “reserves” (savings, investments) to support agency operations.



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What additional information would you like to know (either financial or operations) to help inform the discussion ?



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- What has been the impact of the loss of government contracts and foundation grants?
 - Staff layoffs
 - Elimination of programs and services

- Examine the audited financial statements for the past 3 years.
 - **Have we reduced our overall expenses?**
 - **How? Eliminate administrative staff? Operating expenses?**

- In each of these years, did we generate an operating surplus or deficit?

- If there is a deficit, how did we fund it? Did we use or deplete our reserves?

What Now?

- **What “strategies” should the Health Center consider in response to their financial situation?**

Planning for the Agency's Future: Possible Strategies

- Are there assets we haven't been leveraging?
 - Are there Board restricted funds available?
- Are there ways of raising additional funds?
 - Do we have any long time supporters of our organization (individuals, businesses or corporations, foundations or government agencies) to approach?
 - Do we consider undertaking a (new) major donor program or event?
 - Do we explore new Foundation or corporate support?

Possible Strategies

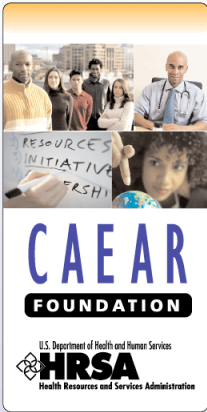
- Have we advocated with our local or state elected officials?
- Can we generate media attention to our advantage?
- What set of mission focused activities should be our highest priority?
 - Do we continue to provide all the services we currently provide?
 - Do we consider eliminating programs that we cannot financially support but still allow us to provide what is most “essential” in terms of our agency and our community?

Possible Strategies

- How else can we streamline our agency?
 - Do we have adequate administrative infrastructure to support our agency?
 - Can we reorganize our management system to be more efficient?
- Should we contract out some services or functions?
- Should we consider greater collaboration with other agencies?

Who Should Be Involved?

- **First and foremost, The Agency's Board of Directors**
- **The Executive Director**
- **The Director of Finance**
- **Senior Staff**
- **Depending on the circumstances:**
 - All staff
 - The community



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Module 3: Sources of Funding

Where does the Money Come From: A Quiz

- **Where does most of the funds for all non profits come from?**
- **For health and social service nonprofits?**
- **For HIV/AIDS Services?**

Where Does the Money Come From?

- For All nonprofits:
 - 75% is from individual gifts or bequests
- For Health and Social Services agencies:
 - Government grants and contracts
- For HIV services (Federal only—FY 2004)
 - Medicaid 49% (\$5.4 B)
 - Medicare 24% (\$2.6 B)
 - Ryan White Care Act 19% (\$2.0 B)
 - Other 8 % (\$0.9B)

Potential Sources of Funding

- **Identify potential sources of funding for your agency**

Government Contracts & Grants

- **Centers for Disease Control: Prevention grants**
- **SAMHSA (Substance Abuse and Mental Health Services Administration)**
State government: Service and Prevention Grants
- **State Health Department**

Government Contracts & Grants

Continued

- **State Office of AIDS**
City/County Government
- **Health Department**
- **Department of Social Services**
- **Community Development or Social
Service Block Grant funds**



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Other Fund Development Strategies

- **Individual gifts (donations)**
- **Direct mail solicitations**
- **Bequests from wills**
- **Events**
- **Newsletters**
- **Merchandise**
- **Outside Business**

If you can't do it alone...

- **Create partnerships and strategic alliances:**
 - Arrangements where 2 or more organizations come together to do something more easily or better than they could independently.



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- **What are some reasons why an agency would engage in a strategic alliance?**

Reasons for strategic alliances

- Enhance services
- Increase efficiency
- No more costs can be reduced
- No additional revenue can be earned
- Part of strategic mission to create alliances
- Organizational survival

Accountability

- **No matter how you fund your agency, you must be Accountable**
- **Agencies must demonstrate ensuring the integrity of funding**
- **Funds are used in accordance with conditions of award.**



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**“A” as in Accountability:
Some take home lessons!**

Accountability Continued

- **Agency must have systems, policies and procedures in place to:**
 - Effectively manage funds
 - Effectively manage and deliver services (grant scope)
 - Monitor performance in meeting stated goals and objectives
 - Demonstrate the outcomes of funding
 - Conduct evaluation and report to funder

Accountability Continued

- 1. Financial Health and Performance: The Capacity to effectively manage funds**
 - Follow accounting principles (GAAP)
 - Have internal controls and financial systems in place
 - Ability to separately account for grant activity (income and expenses)

operating best practice:

 - Program and senior management review (financial) grant activity report on a routine basis (monthly, at least quarterly)

Accountability Continued

Report should include:

- Income and line item expenses for reporting period
- Income and line item expenses for (grant) year-to-date
- Variance analysis---Comparison of actual expenses to pro-rated expenses, dollar amounts and percentage
- Flag areas of major under spending or over spending
- Determine if budget adjustment (re-budgeting) is needed

Accountability Continued

2. Capacity to effectively manage and deliver services

- Consistent with agency mission and expertise
- Programs outside core mission may be considered outside of agency expertise
- Agency history of providing services
- Demonstrated needs-based planning
- Board approved
- Supported by community and other providers
- “Reasonableness” of proposed goals, objectives, and activities (appropriately staffed and resources budgeted)

Accountability Continued

3. Capacity to measure success of Programs

- **Identify measures of success:**
 - Measures defined by funder or by agency
- **Determine indicators (what data elements will be collected)**
- **Determine methods to collect data**
 - Methods include: questionnaires, surveys, checklists, interviews, observation, focus groups, case studies and observable data.

Accountability Continued

- **Ensure consistent methods in place and expertise to collect and analyze data**
- **Operating best practices:**
 - Consider hiring outside evaluator
 - Allocate 10-15% of total budget to evaluation

Accountability Continued

- **Increasing emphasis by funders on demonstrating outcomes**
 - **Process evaluation:**
 - Answers the question of “who is being served and how are services being delivered.”
 - Measure Numbers of people served, units of services provided
 - Assess degree to which contract targets were met

Accountability Continued

- **Impact/Outcome evaluation:**
 - Did the program make a difference?
 - Change in health or social status, skills, behavior, knowledge, attitudes, et al. of those being served

Accountability Continued

- **Utilize SMART approach:**
 - Specific (concrete, detailed, well defined)
 - Measurable (numbers, quantity, comparison)
 - Achievable (feasible, actionable)
 - Realistic (considering resources) and
 - Time-Bound (a defined time line)
 - Process Measure:



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Accountability Continued

■ Process Measure:

- By June 30, 2007, 100% of all new case management clients will be assessed for being enrolled in primary medical care.

Accountability Continued

■ **Impact /Outcome Measure:**

- By June 30, 2007, 75% of all assessed case management clients will be referred to a primary care provider and enrolled in care.

Accountability Continued

- 4. Conduct program evaluation at end of grant: How well did you meet your goals and objectives, and why?**
 - **Operating best practices:**
 - Monitor performance and progress in meeting goals throughout grant period:
 - Conduct periodic evaluation of process/output measures and comparison to targets (monthly, at least quarterly).
 - Make “mid course corrections” as needed, in consultation with funder.

Accountability Continued

↑ **Conduct end-of-grant evaluation:**

- Analyze quantitative and qualitative data (include participant and/or client satisfaction)
- Identify areas for improvement
- Record/report results and discuss with staff, Board and funders
- Learn from successes and mistakes!

A few parting thoughts

- **Although it's tempting, don't always "follow the money."**
- **"If you don't know where you're going, you're probably not going to get there."**
- **Make sure you can do what you say you're going to do.**