

**Allegany Franciscan Ministries, Inc.**  
**Operational Update, 2009-2010**  
Report Date: October 15, 2009

Allegany Franciscan Ministries, Inc. (AFM) is a non-profit Catholic organization focused on improving the overall health status of individuals through increasing access to health services and information. Guided by the tradition and vision of the Franciscan Sisters of Allegany, and a member of Catholic Health East, AFM provides grants to organizations in three regions of Florida: 1) Miami-Dade County, 2) Palm Beach, Martin and St. Lucie Counties, and 3) the Tampa Bay area of Hillsborough and Pinellas Counties. AFM strives to be a catalyst for systemic change, committing resources and working collaboratively to promote physical, mental, spiritual, societal and cultural health and well-being in these communities.

Allegany Franciscan Ministries' first grants were made through our subsidiary foundations in 1998 and 1999. In November 2004, AFM's Board of Trustees voted to substantially simplify our corporate structure. The Board's intent was to create a more effective and efficient organization, both at the governance and management levels, while maintaining AFM's commitment to our mission and the communities we serve. Significant operational, staffing, and grant-making changes were implemented in 2005 and 2006 as a result of the restructuring. Since then AFM has continued to apply operational and grant-making improvements with a focus first on mission, and then on stability, consistency and growth. The dramatic changes in the economic market from late 2007 through 2009 have had a significant negative impact on AFM's asset base. Nonetheless, AFM's operational and strategic objectives for these years were achieved. This update offers a brief overview of progress made in 2009, and expectations for 2010 and 2011.

## **SERVICE**

This year we planned to undertake a formal strategic planning process. This work will launch in late 2009 and continue through 2010. One component will be a planning retreat that will bring together our board members, regional commissioners, staff team and other partners. Because we serve three regions of the state, our stakeholders have limited opportunities to gather face-to-face. Our last retreat was in mid-2006 and our last formal strategic plan was two years earlier. Key to a new plan will be evaluating our impact and identifying indicators of success.

AFM's grant-making and community engagement activities focus on reaching underserved, at-risk, economically poor, marginalized populations, and those oppressed by unjust systems. Preference is given to programs and initiatives that effectively utilize partnership and collaborative strategies, show involvement and decision-making by those they seek to serve, and produce measurable results and on-going community impact. In 2009, grants were strategically provided primarily to cornerstone partners, and were directed to meet general operating needs more than direct program services, in order to assist these partners in sustaining their organizations through difficult economic times. Many of the larger grants directed to general operating support and capacity building will be paid out over two or three years, providing longer-term stability for our nonprofit partners. In 2010 AFM anticipates balancing grants for general operating support and program funding.

A portion of our available grant funds are distributed through competitive grants while other grants are made through our "Vice President Development Initiatives." These projects are developed out of the VP's work in their community. We are delighted with the results of this approach to date, as it provides for more collaborative, strategic activities than we can always achieve through our traditional grant-making process. Several funded initiatives - such as the JUMP Capacity-Building Initiative piloted in the Tampa Bay region - have become "signature programs" of AFM.

In addition to direct funding, AFM plays an important role in the communities we serve. We convene partners to draw attention and action to specific issues affecting the vulnerable in our communities. We provide training and technical assistance directly for our grantees and other community organizations, and offer capacity-building scholarships so they can benefit from other quality training and development programs. We are active leaders and participants in a variety of community boards, committees and initiatives.

AFM is also committed to working with partners within the CHE family. Funds are designated each year to support BayCare and Mercy Hospital (Miami) initiatives. Strategic alliances with our CHE partners ensure that grants provide mutual benefit. In 2009 we have also continued a supportive communication with our colleagues at McAuley Ministries in Pittsburgh, sharing our experience as they work to establish their new foundation. We engaged with colleagues throughout the CHE system in the development of a vision for person-centered care, and are eager to utilize our experience and grant-making opportunities to support the system's movement toward person-centered care.

## QUALITY

Each region (Palm Beach/Martin/St. Lucie Counties, Tampa Bay and Miami-Dade County) has established a Regional Commission. This group of 8 - 12 local individuals works with the Regional VP to establish local funding priorities and to make funding recommendations to our board of trustees.

Our grant-making has been simplified and streamlined, while maintaining a commitment to appropriate oversight and due diligence. Potential grantees and partners may access application kits online, including information about each region's focus and priorities and about AFM's mission and objectives. After several years of intentionally decreasing the number of grants, larger grant budgets in 2008 and to a lesser extent this year, coupled with the addition of a new staff position (grants coordinator), have allowed us to successfully increase the number of active grants. Grants are generally in larger amounts and with greater AFM staff involvement. Many of the larger grants represent multi-year funding, in which the grant is approved and recorded in one year but payable over two or even three years.

AFM has a high level of confidence in the quality and results our funded projects will produce. A new evaluation philosophy and accompanying evaluation system was fully implemented in 2007 and continues to be improved upon. The shift in 2009 to primarily general operating grants directed at organizations rather than programs necessitated a significant revision of the application materials and process.

In 2009 AFM implemented a complete overhaul of our utilization of IT, resulting in improved productivity and quality of service and interaction with community partners, reduced staff frustration, and significant budget savings which will be fully realized in 2010. The decision-making process and actual transition was time-consuming and challenging.

Surveys of applicants and other community organizations are conducted regularly; organizations report that their experience with AFM is a positive one, even if they are ultimately not funded. In 2009 all Tau grants, scholarships and ACOR (Allegany Community Out Reach) grants were submitted electronically; an alternative was offered for those organizations unable to submit electronic applications. AFM explored options for web-based grant management systems; for the foreseeable future our analysis has shown that the cost is significantly higher than the value-add, and so we have tabled plans to implement such a system.

Workshops are offered annually in all three regions for grant-seekers and potential community partners. This face-to-face communication strengthens grant-seekers' understanding of AFM and our mission and values, resulting in funding requests that closely align with our priorities and strategies.

Over the years, AFM and several of its individual staff have been recognized by local, state and national groups for our expertise, excellent grant programs, and our focus on diversity and cultural competency. Members of our staff team are sought-after for boards and as speakers, both locally and nationally. While it is a great honor to be nominated for and to receive this recognition, more important are the lives we have changed - the tremendous results our grantees and partners have achieved through our support.

## PEOPLE

One new position was added in late 2008, bringing our team to a total of seven FTE. There has been no turnover since May 2005, and the staff team maintains a strong, positive working relationship. Four employees (the CEO, Director of Grant Programs, Grant Coordinator and Office Manager) work out of the central office in Palm Harbor. A Regional Vice President for each of AFM's three regions works from an office located in that region.

AFM is committed to providing a quality work experience for our small, talented and diverse staff. Individualized development plans have been partially developed. The training budget was cut in 2009 and will be slightly decreased in 2010, but funds remain to meet identified development needs. In late 2009 the Vice Presidents participated together in CHE's Foundations of Catholic Healthcare. The CEO completed the Collaborative Formation Program for Public Juridic Persons in 2009 and has begun the Excellence In Ministry program. The Director of Grant Programs is working toward a Certificate in Nonprofit Management (with AFM tuition assistance) and one of the VPs is working toward a Master's Degree. Collectively, our staff team holds six advanced degrees.

AFM added three new members to our Board of Trustees in 2009, including a CPA and two Franciscan Sisters of Allegany. The Board is challenged with considering its future leadership and particularly the role of the Franciscan Sisters of Allegany within its leadership; four of the sisters serving on the board must rotate off at the end of 2010. A formation program is being considered to assist lay members of our board and regional commissions feel more prepared to take on greater responsibilities. Seven of 14 board members are scheduled to participate in CHE's Trustee Orientation in October 2009.

AFM's operations, facility and human resource policies and procedures do not reflect our current structure or expected behavior. The policies are currently being revised and updated, compatible with CHE system policies and aligned with AFM's mission values and objectives.

## FINANCE

In 2008, we experienced very significant financial losses, due to the volatile and negative economic market. In 2009, revenue is tracking closer to budgeted expectations. On the expense side, we expect to end the year more than \$50,000 (4.6%) under budget. This is not all good news - the greatest savings resulted because we were unable to undertake certain planned activities due to staff capacity and priorities. Details are available in the 2010 budget narrative. For 2010, the proposed operating expense of \$1,210,000 is \$365,560 (23.2%) less than 2004's budget of nearly \$1.6 million, demonstrating the continued impact of the reorganization on budget as well as AFM's commitment to limiting administrative expenses in favor of optimizing grant expenses. The 2010 budget represents a 2.4 % increase over the 2009 budget, almost entirely due to increases in the accounting and audit line item, and a 7% increase from the anticipated actual 2009 expenses.

AFM operates in three regions, with three physical offices on opposite coasts of Florida. Occupancy and travel expenses are high; in the last few years we have relocated two of our offices, resulting in lease savings for AFM and decreasing commute time and transportation expenses for the staff team, as well as reducing our carbon imprint.

Over the years we have struggled to settle on a method for determining grant expense. Since AFM is not a private foundation, it is not required to follow IRS spending rules for foundations. Our goal in determining grant expense is to have the greatest possible impact on the communities we serve while maintaining the principle of our investments and better predicting and planning for our grant budget. We believe we have now settled on a method that will meet

these needs. Grant expense is budgeted at 5% of the total net assets as of August 31 for the prior year. This formula sets a 2010 grant expense of \$6,100,000 (5% of 122,753,043).

## GROWTH

We anticipate ending 2009 with modest growth in our total assets, showing some recovery from the poor performance in 2008. Importantly, we have continued to grow in many other aspects of our mission work, and expect that to continue in 2010. From a staff perspective, we added one person to our team, and we are committed to providing personal and professional growth opportunities for the staff individually and as a group.

In 2008, with a 120% increase in available grant funds, we adopted an additional focus on non-profit sustainability and capacity building, complementing and enhancing our existing regional strategies. Each region addresses capacity building in different ways, based upon community needs and assets, our own human and financial capacity to implement plans, and other factors. In 2009, the available grant funds decreased by 35%, and we responded to the tremendous needs in the communities we served by increasing our support of cornerstone partners with general operating funds and funds directed to meet emergency or basic needs. We also engaged in several new strategic partnerships such as the Safety Net Collaborative in our Palm Beach region. In 2010 we look to further develop and leverage regional as well as statewide partnerships.

Each Regional Commission will end 2009 with identification of regional priorities for 2010 that support our overall mission, vision and objectives and that of Catholic Health East. As they meet, we will ask that they consider how our work supports and demonstrates person-centered care. Already, AFM provides grants and support to projects that are moving toward this vision, such as pilot care coordination programs. We will look to increase our awareness of funding opportunities that address this future. We have also begun to identify new ways to demonstrate and share our successes with other funders, Catholic healthcare providers, and other partners; we will continue this outreach in 2010, with the goal of replicating successes and gaining new partners in commitment to our mission and that of Catholic Health East.

In summary, in 2009 AFM experienced significant strategic growth, focused on enhancement of our grant programs and built upon the stability and internal improvements achieved in prior years. It has been a year of tremendous success and excitement, within an environment that is increasingly difficult for nonprofit organizations. We have provided grants in our three regions that will demonstrably help those most in need in our communities. We have worked with diverse partners to identify and to address the needs of those ignored and even oppressed by others.