

# ONE-SHEET REPORT

## Funders Concerned About AIDS One-Sheet Report: What Funders Should Know About AIDS Service Organization Sustainability: Mergers and Redefining Missions

On November 27, 2007, [Funders Concerned About AIDS](#) hosted a funders-only teleconference titled "[Domestic ASO Sustainability: Mergers and Redefining Missions: What Funders Should Know.](#)" This *One-Sheet Report* is a brief sketch of the issues covered by the teleconference. Representatives from 27 foundations participated in this call. Mary-Shannon Ryan, FCAA's Program Director, moderated.

### Setting the Scene

Kandy Ferree, President & CEO of the [National AIDS Fund](#), framed the discussion as one concerned primarily with the sustainability of AIDS services, not merely sustaining organizations. Funders should consider not only funding mergers and mission redefinition, but more importantly encouraging such actions when they would ensure more efficient, cost-effective service delivery for people living with or at risk for HIV/AIDS. Ms. Ferree warned that if we are not proactive in our funding and communication with grantees, the very people that we, as funders, profess to help will fall through the cracks.

#### Ten Things Funders Can Do

1. Continue to support smaller organizations that are seeing decreases in public funding, but are meeting needs of PLWHA not being addressed elsewhere.
2. Consider funding immediate costs and long-term costs of mergers.
3. Discuss partnerships, mergers, and mission redefinition with your grantees, and be clear that a closure is not a failure if it is the best way to sustain services for the community.
4. Convene and collaborate with other concerned and invested funders when a grantee is struggling.
5. Encourage your grantees to get management and financial training at all levels.
6. Fund research on ASO management and best practices.
7. Fund needs-assessment and independent consultants.
8. Encourage your grantees to think about social enterprise that matches their core competencies and can be pursued with current capacity.
9. Have the courage to discontinue funding to less effective organizations, and invest in the thoughtful growth of organizations best serving their clients.
10. Visit our [website](#) for more information.

### Financial Stability

A study, [The Financial Health of AIDS Service Organizations in the United States, 2001-2007: Raising Questions About a Model in Transition](#), undertaken by the [AIDS TaskForce of Greater](#)

[Cleveland](#) surveyed 100 ASOs to examine financial health over a period of time. The majority of ASOs surveyed had budget deficits or budget surpluses that lagged behind the inflation rate. 92% of organizations had cut programs and services to remain fiscally viable. Most of the ASOs were supported largely by government funding, but increasingly began to rely on program-specific grants and fundraising events, especially in the South, where most organizations suffered from budget deficits. Small organizations in general had a more difficult time than larger organizations and lost significant private foundation support during the study's time period. Many of the organizations had considered partnerships with other ASOs or were involved in partnerships by the end of the study.

Earl Pike, ATGC's Executive Director, emphasized that ASOs do not struggle only because of lack of funds – it's a management issue as well. There is a definite need to strengthen ASOs' capacity as part of a service sector. Many of the ASOs that closed or faced potential closure did not anticipate that other organizations would be able to provide AIDS services to their clients.

ATGC itself has merged with five different organizations in an eight-year period. Each merger was engendered by a financial crisis. Mr. Pike explained that there are significant costs attached to mergers, immediate costs relating to staff, as well as (continued)



long-term operational deficits, which may not become apparent until years after the merger has been “finalized.” Funders are encouraged to bear in mind that mergers are not short-term, financially insignificant events in the lives of organizations. They require dedication from the organization’s leadership and staff, as well as from its funders.

## Thoughtful Expansion

In 2006, [Association of Nutrition Services Agencies](#) received a grant from The Gill Foundation to write a manual for AIDS organizations on how to thoughtfully and appropriately expand their missions (projected publication in June 2008). Frank Abdale, ANSA’s Executive Director, suggested the following steps for considering and possibly instituting an expanded mission while continuing to meet community needs:

1. Perform an initial assessment: the current state of the organization and the field
2. Identify core competencies and explore expansion options: engage an outside consultant with experience in mission expansion to assist with an impartial internal/external evaluation of the organization’s strengths, challenges, opportunities, and risks
3. Pilot program: structure pilot program before instituting organization-wide expansion
4. Stakeholder involvement and support: structure input from clients, board, staff, volunteers, funders, and community partners
5. Finance and fundraising: planning for financial health and sustainability of expansion
6. Communications, PR, and marketing: internal and external communications
7. Integrated expansion and long-term sustainability: evolve to meet community needs and address intra-organizational impacts

Funders can use these steps to evaluate a grantee’s mission expansion to ensure that there is a thoughtful, impactful, and appropriate investment in service provision by a grantee. Service sustainability must be primary in all cases.

## “Funder Only” Discussion

FCAA asked Patrick Flaherty of The Gill Foundation to discuss the foundation’s history funding expansion, mergers, and income-generating ventures since the 1990s. They experience challenges when ASOs approach them too early and too late, suggest that they will only merge in order to receive more funding, or present unstructured plans for expansion and new revenue streams. Mr. Flaherty said that the best role for funders is to be willing to broach the subject and have support available for a well-conceived plan, but not to force the issue, especially when the organization is not ready for it.

A national funder, who somewhat disagreed, felt that funders have a responsibility to make hard decisions about which organizations we should continue to fund and who we will “bail out.” In times of funding scarcity, ineffective organizations should not continue to receive funding. Another large urban funder felt that while many organizations are willing to talk about mergers, very few are willing to act on it.

A funder who has experience in two major metropolitan centers suggested that the change of populations affected by HIV/AIDS and the complexity of issues they face means that ASOs may need to expand missions to go beyond medical services, mental health, nutrition, or substance abuse issues, and encompass all of these issues in order to deliver client-needed services. A major funder in NYC worried that as organizations take on a multitude of issues they may advocate for a change that is not truly possible. Especially in New York (as well as other urban centers), where there are hundreds of ASOs, federal funding cuts, and limited private funding, how can organizations plan for sustainability and what does that mean for the work funders do?

A rural funder discussed the challenges faced by service providers who serve a more geographically spread-out population who have few alternatives for AIDS care. These ASOs may also have fewer funding streams and may be more dependent on government funds. Her community of funders is concerned with providing leadership to ensure that all issues faced by ASOs and clients are addressed in their grantmaking.

A large urban funder said that three local ASOs had merged three years ago, and that while the funding community initially supported them with large grants to perform the merger and related costs, most foundations did not continue that high-level of funding in subsequent years. The merging ASOs properly planned and prepared, but funders did not.

[AIDS Funding Collaborative](#) convened Cleveland funders to create a community-wide strategy to support a local organization in crisis. They ultimately decided to each fund a different part of the solution, and each funder felt more comfortable with their involvement in the context of the range of support the others were providing. One funder could not do it all, but by coordinating their efforts they have made important progress. They expect some level of support will be needed in the future to ensure the overall sustainability of these services to people in need in the Cleveland area. The collaboration among funders, however, has increased the likelihood of long-term success.

Please visit the [FCAA website](#) for further resources on sustainability issues.

