For successful community behavioral healthcare organizations, the term *nonprofit* by no means connotes a lack of attention to finances. Nonetheless, some agencies do try to remove *nonprofit* from everyday parlance, fearing its widespread use could cause staff to become complacent about the steady revenue stream needed to fulfill every community agency's service mission.

“People depend on us. We are the safety net and the last stop on the train for many of the people we serve,” says Gary Bembry, president and CEO of Lakeview Center in Pensacola, Florida. “Our financial insolvency would serve no one.”

*Behavioral Healthcare* interviewed Bembry and Jerry Mayo, CEO of Pine Belt Mental Healthcare Resources in Hattiesburg, Mississippi, to explore the priorities of two community behavioral healthcare agencies that have received credit from leaders around the country for strong financial management practices. Both Bembry and Mayo are former chief financial officers of their agencies and are glad they now can leave that position in others’ capable hands as they engage in strategic planning and other executive duties. Most importantly, though, each says he spends little time on financial matters today because attention to financial management permeates his entire organization.

“Beginning in 1999, we articulated a new way of doing business,” says Mayo, who became Pine Belt's top administrator a year earlier. “Staff members know that we're a business from the time we interview them.” He adds, “I don't have to worry much about finance in my job because the others here are fairly obsessive about it.”

**Orchestrating Growth**

Change is something that Lakeview's managers embrace, and this attitude has been instrumental in the organization's long-standing ability to overcome financial challenges as they emerge.

Lakeview was founded in 1954 as the Escambia County Child Guidance Center, and until around 1997 considered community behavioral healthcare services as its core business. Since then, the organization's annual budget has grown from $35 million to around $125 million, and the number of employees has more than doubled to about 2,200. The growth largely has come from two new operations that have diversified the organization well beyond traditional behavioral healthcare: vocational services and child protective services.

Vocational services now comprise about one-third of Lakeview's mission. The agency connects individuals with a variety of disabilities to work opportunities, with a large contract with the U.S. Department of Defense enabling Lakeview to offer vocational services in five states and the District of Columbia. In child welfare, Lakeview is one of 22 lead agencies in Florida that operates privatized child welfare services on a regional basis. In a four-county area the agency performs every function subsequent to a child's removal from the home, including casework, foster home placement, and adoptive services.

The diversification of operations allows Lakeview to tap into a variety of funding streams and not be overly dependent on any one revenue source. While child protective services rely solely on state funding and vocational services nearly entirely on federal money, behavioral healthcare services have a more diverse mix of government and patient funding. Overall, Bembry would like to see the organization become less reliant on government payers in coming years.

With the different revenue sources for Lakeview's various divisions come different expectations for each unit's financial performance, and Bembry acknowledges that this can generate tension in an organization. While the state of Florida finances child protective services on a cost basis and therefore leaves no capacity for additional revenue, the other divisions may be expected to generate additional revenue for the larger operation.

“There is a constant need for communication and education with staff around these issues,” Bembry says. He adds that it is important for organizations to acknowledge that competitive differences among divisions may arise, but that the overall mission of the agency must remain in the forefront. “Our mission is to help people overcome life's challenges,” Bembry says.

**Conservative Approach**

Bembry explains that about 90% of the revenue Lakeview earns supports client services, with about 6 cents of every dollar allocated for administrative support and the remaining 3 to 4 cents devoted to “investing in the future.” The organization takes a careful approach to investment that is reinforced at every level of the agency, starting with the board of directors.

The board does not allow staff to move forward with a new initiative unless it has the cash to finance at least half of the project without borrowing. This has been a long-standing policy at Lakeview. “The board realizes that we have to operate like a business,” Bembry says. “The 50% requirement is so old that no one even remembers when it started.”

Bembry says the agency has become adept at paying attention to all three of the critical financial statements for nonprofit businesses: the balance sheet, the income statement, and the cash flow statement. Many nonprofit agencies don't spend enough time studying and managing cash flow in order to be able to withstand unexpected challenges, he says.

One change that caused less upheaval than what some staff members had expected was when Lakeview became an affiliate of the Baptist Health Care system in 1997. The hospital system has maintained Lakeview as its most autonomous affiliate, Bembry says, and thus any threat that behavioral healthcare funds would be siphoned off to support other healthcare operations in the system at some point has never materialized.

**Agency-Wide Productivity**

Pine Belt has been in business for more than 30 years and has 450 employees scattered across nine counties. Its annual budget is about $29 million. Mayo also is a believer in diversification—an essential approach for a community mental health agency in a state where nearly 70% of mental healthcare financing comes through Medicaid.

Seeking a more flexible revenue mix, the agency hired a full-time grant writer four years ago, and that effort has yielded about $11 million in awards thus far. And Pine Belt hopes to do better; Mayo says they will be bringing on a consultant to look for patterns in some of the unsuccessful grant applications they recently submitted.

Pine Belt has had a consistent track record over the past two decades in not running a deficit, even though each budget year brings its share of surprises. “Every year we made budget—just not the way we thought we would going in,” Mayo says.

He attributes much of the consistency to an approach that departs from the “nonprofit” mentality (Mayo prefers to use *tax-exempt* to describe the organization) and asks a great deal of each employee in looking for ways to maximize revenue where possible.

*Photo of Jerry Mayo by Teresa Frey, Frey Photography*

“Everyone who pays for his care gives us an opportunity to provide more indigent care,” says Mayo, who adds that the organization provided $1.8 million in free care last year. “Our philosophy going in is you expect that everyone will pay, even though the reality is they don't.”

The agency carefully measures weekly and annual productivity of each clinician in terms of hours and dollars, assessing the numbers against preset goals. Pine Belt expects some degree of business savvy among all staffers. “This is not a negotiable aspect of the job,” Mayo says.

Mayo, who became CFO at Pine Belt in 1991 and CEO in 1998, says his agency also takes a conservative approach to new initiatives, not buying into growth for growth's sake. “You can't be all things to all people,” he says. “There are a lot of centers out there that can't say no. You have to define what it is you do, and do well.”

In fact, Mayo finds it hard to believe that some organizations with few financial controls are able to stay in business, as their lack of discipline renders them unable to offer adequate training and compensation to staff and to upgrade aging infrastructure. He believes Pine Belt's cash management practices helped it withstand one of the greatest threats that ever could have been imagined in the region: the disruption caused by Hurricane Katrina in 2005.

Pine Belt's largest operation, located in Hattiesburg, took the biggest blow of any of the organization's sites. But the operation was able to resume all normal activity within about six weeks, in part because Pine Belt had cash reserves to offset the unexpected revenue losses.

“Our cash management system, which invests every day, helped us to continue to make payroll,” Mayo says. “And we didn't have to rush to bring people back in to the office.”

Perhaps that is one sign of an organization with sound financial management practices—staff members who look out for the agency's financial health while the organization keeps theirs in mind.

Lakeview Center and Pine Belt Mental Healthcare Resources are members of the Mental Health Corporations of America.

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