

A Look at the Financial Dynamics of State Associations for Infant and Early Childhood Mental Health

In recent years, experts have increasingly acknowledged the importance of a healthy start on the long-term well-being of our communities. The infant and early childhood mental health (IECMH) field promotes social-emotional health during the critical infant and toddler years. This interdisciplinary field addresses the foundations that support health, wellness, social, and economic outcomes for people. Across the country, state Associations for Infant Mental Health (“AIMHs”) promote opportunities to strengthen babies’ emotional health and build a workforce trained in IECMH principles and practice.

To support growing awareness of the importance of IECMH, the Alliance for the Advancement of Infant Mental Health (“The Alliance”) manages an **endorsement program** designed to offer professional development and credentials to infant and early childhood mental health professionals. For some AIMHs, the endorsement program has become a central program that complements additional professional development services including workshops, seminars, and reflective supervision.

From the spring of 2019 through the fall of 2020, Nonprofit Finance Fund, with generous support from Perigee Fund, partnered with The Alliance and a cohort of eight AIMHs on a research and technical assistance project. We deepened the cohort’s understanding of their individual organizations’ financial health, developed a cohort-wide cost allocation model for endorsement/credentialing programs, and identified financial sustainability recommendations for AIMHs more broadly. What we learned has implications for the future of the field and the children AIMH members reach:

While growth is often seen as a sign of organizational success, careful planning around both program and infrastructure needs is necessary to avoid undermining long-term health.

With increasing public awareness about the IECMH field, most AIMHs in this cohort experienced exponential growth in recent years, averaging 40 percent annual growth in budget size from 2015 to 2020. Most of the growth (89 percent) was attributed to increased people costs as some AIMHs in the cohort formalized their staffing structure from volunteer-led to staff-led organizations, or added staff and contractor capacity to support programmatic growth.

ABOUT THE COHORT

The cohort comprised eight geographically diverse AIMHs. They ranged in staff size from 0 (fully volunteer led) to 10+ professionals and annual budget sizes from ~\$20K to ~\$1.2M. Seven of the eight members of the cohort were partners in The Alliance’s endorsement program. These AIMHs approach their shared mission in markedly diverse ways by providing unique programs in their communities.

"I'm not sure we can how much we can grow without staff." Participant

"As the endorsement program grows, we need to manage differently. For example, our information management now requires systems for tracking people and 'talking' to other processes." Participant

Periodic infusions of capital from foundations, government, or other funders – distinct from regular, recurring revenue to support program activities – may be necessary to invest in the infrastructure and adaptation-related needs of individual AIMHs and/or grow working capital and reserve needs that may come with adaptation. These types of investments can also support healthy growth of the field as a whole, for example, through national-level strategy and programming across AIMHs to coordinate messages and programs and make policymakers and philanthropists more aware of the overall impact of the field.

"We lack a sufficient operational reserve to address very large contracts with state agencies that are expense reimbursed. We have to put out large sums of money and wait to recoup." Participant

"What would be extremely helpful is more endorsement of the endorsement. National recognition and attention is very helpful." Participant

Diverse revenue streams can mitigate risk in an organization but come with costs.

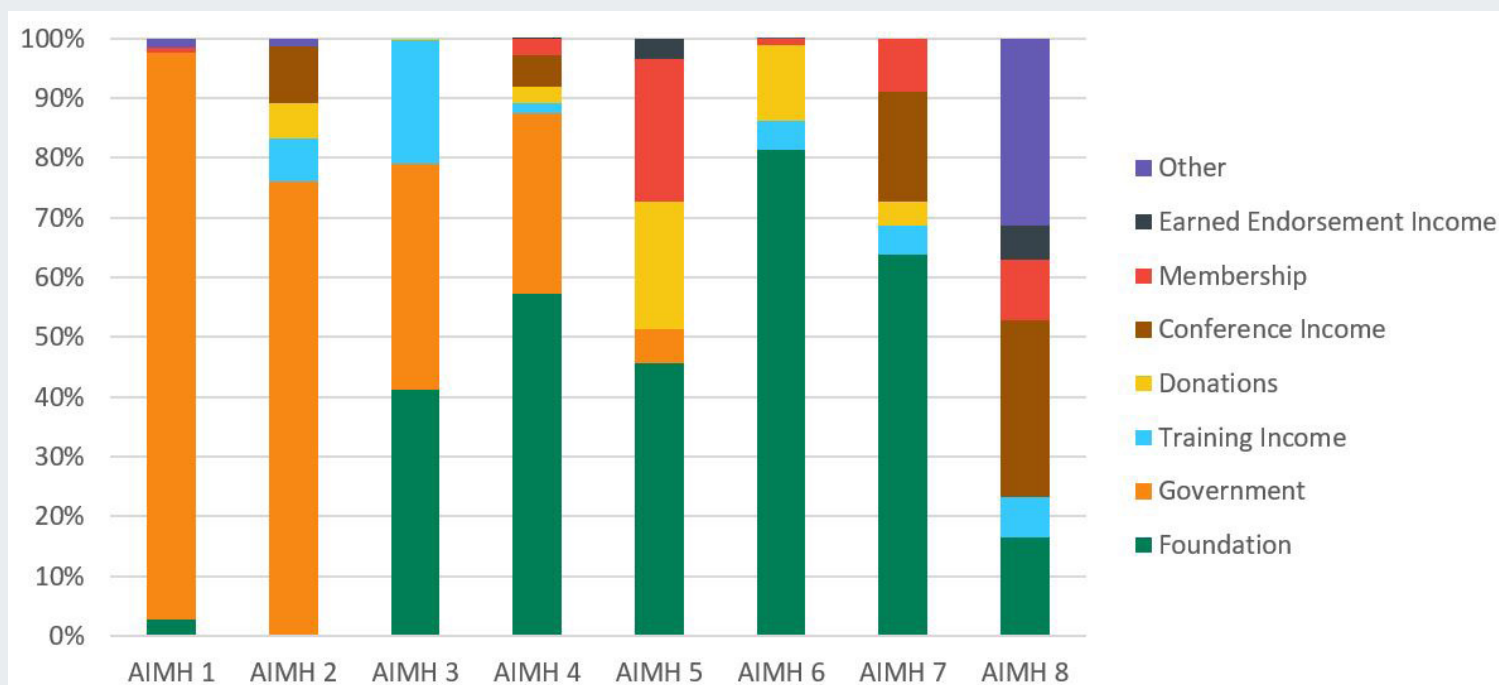
The AIMHs in this cohort have diverse revenue models that rely on a combination of earned and contributed revenue. In addition to the diversity of sources between AIMHs, the revenue composition of individual AIMHs also changed significantly year to year. Revenue growth in recent years across the cohort appears to be driven primarily by foundation and government sources.

While revenue diversification is perceived to mitigate business model risk, the work of developing new revenue streams (from elevating awareness about infant and early childhood mental health to philanthropic funders to participation in government meetings to cultivating individual donors) comes with a cost – most often, staff time.

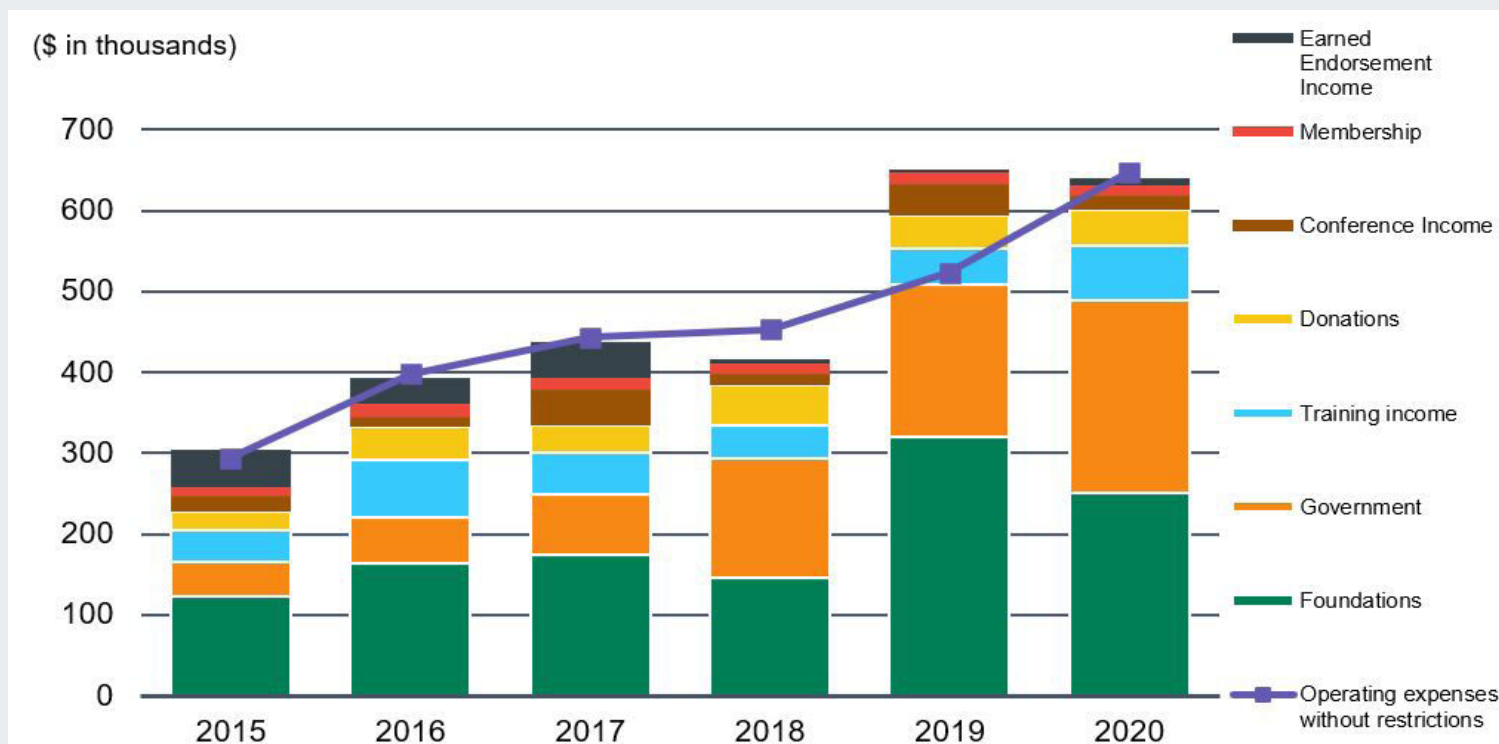
It can be helpful to focus on strengthening one or two revenue types (e.g., foundation, government, events) and investing in the capacity, expertise and skills necessary to diversify funding sources within a revenue type, rather than build revenue across many types.

"Building relationships with government is a good opportunity and challenge. You have to have time and energy to build and cultivate the relationships and then do it all over again once the government changes. Funding gets uncertain when someone new comes in and causes us to scramble and re-adjust." Participant

FY19 REVENUE COMPOSTION BY AIMH



COMBINED AVERAGE OPERATING REVENUE WITH EXPENSES



"[I have] concerns about the elements of privilege in this work. The cost of getting endorsed can be prohibitive." Participant

"We are expected to do the work unpaid. To grow, we need to change the mindset around putting a value on time." Participant

AIMHs have significant unfunded expenses that threaten the financial stability and growth of the field.

Unfunded expenses are those expenses that are not currently incurred, but, if covered, would allow organizations to work at the current level in a way that is reasonable and fair. Quantifying and tracking these expenses can demonstrate internally and to funders what it really takes to fulfill mission in a fair and equitable way, and covering them would build the foundation for equitable mission delivery in the field. To **advance equity** in the nonprofit sector and support long-term adaptability, organizations and funders must address unfunded needs. On average, as calculated by AIMH leaders and NFF, these unfunded expenses equaled 32 percent of the total size of cohort AIMHs' 2020 budgets. Sweat equity – work that is completed but not compensated – is the largest contributor to these expenses. This high rate of unfunded expenses and sweat equity parallel other fields related to the wellbeing of children including childcare and **early childhood education**.

In making strategic decisions, it is important for AIMHs to consider potential long-term impacts of unfunded expenses, such as staff burnout, significant turnover, and potential for lower quality work. AIMHs can calculate these costs and communicate them with stakeholders to advocate for fair funding. For funders, understanding and supporting **full cost**, inclusive of unfunded expenses, is critical to investing equitably and most impactfully in AIMHs and the development of the IECMH workforce over the long-term. Failure to cover full cost may become a barrier for individuals unable to offer unpaid labor (with the highest concentrations in communities of color) from entering the field.

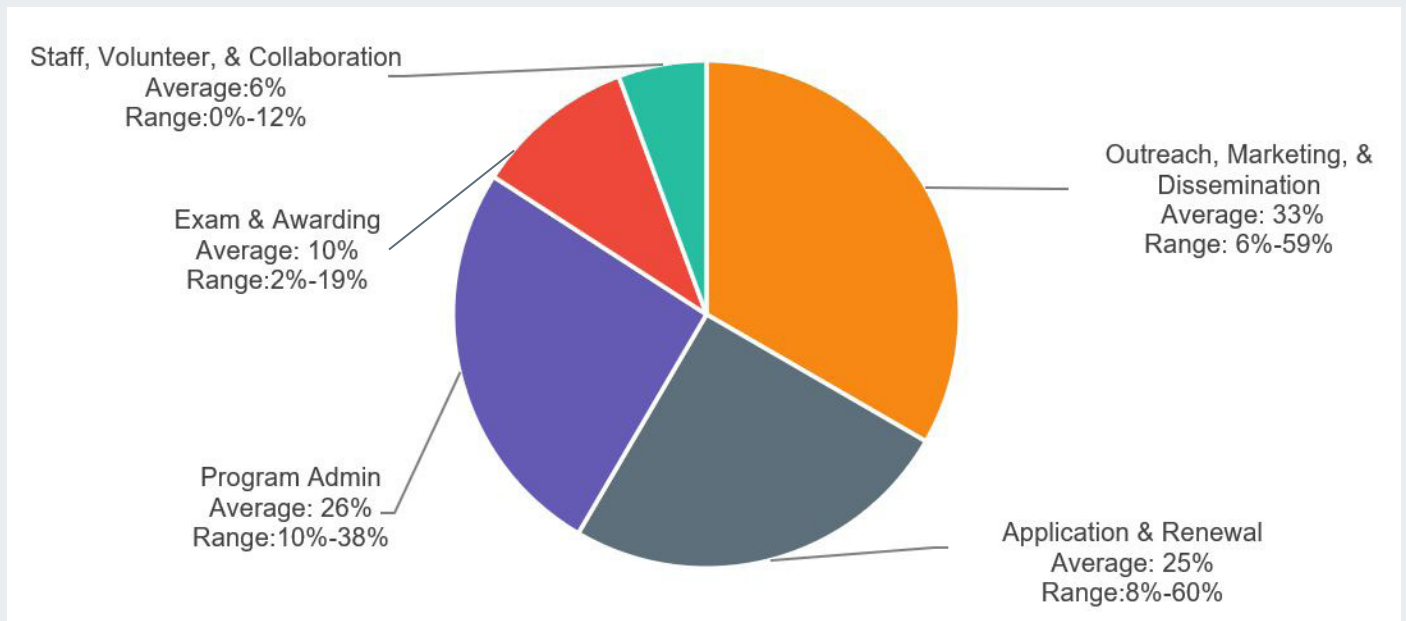
A comprehensive picture of endorsement costs includes not only those directly supporting endorsement activities, but also unfunded expenses and a proportional share of organizational capacity.

The total cost of the combined activities necessary for endorsement ranged from \$62K to \$360K in the cohort, inclusive of all direct program costs, unfunded expenses, and organizational capacity costs (a proportional allocation of administration and fundraising based on the endorsement program's share of all program costs in the budget). Capacity costs accounted for an average of 16 percent of the total cost of endorsement, while unfunded expenses accounted for an average of 17 percent of the total cost of endorsement. While this analysis did include unfunded expenses, additional full costs such as reserves and working capital were not calculated in a consistent way across the cohort.

Endorsement programs were primarily funded through government sources and private grants that heavily subsidized small fees paid by applicants. This strategic choice to keep application fees low allows practitioners at various income levels to participate and for AIMHs therefore to more widely disseminate field knowledge and impact.

When making internal decisions (e.g., around financial implications of grants and contracts) or having external conversations (e.g., around new funding opportunities), it is critical for AIMHs to consider and communicate these costs to build a true picture of what it takes to administer their endorsement program in the context of their broader organizational realities.

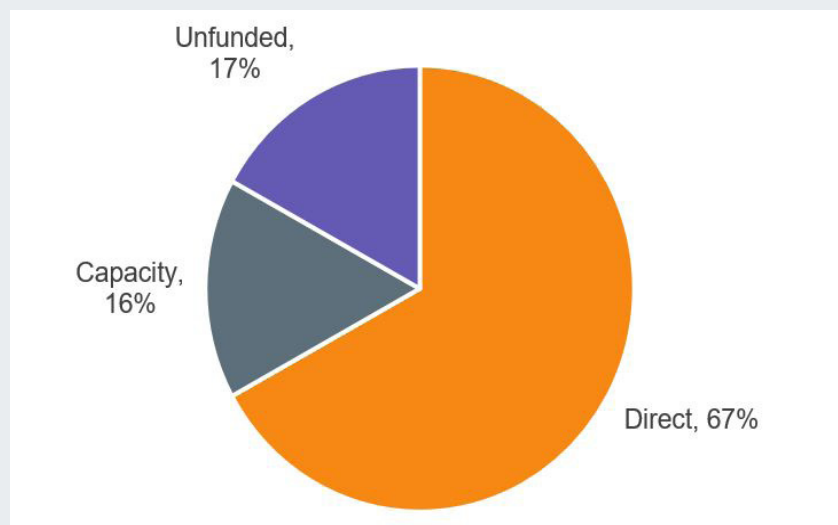
AVERAGE SHARE OF TOTAL COSTS OF ENDORSEMENT BY ACTIVITY



DESCRIPTION OF ENDORSEMENT ACTIVITIES:

- Outreach Marketing and Dissemination Management: Any activities to spread the word about endorsement
- Program Administration: Direct General and Administrative costs including program fundraising and reporting, keeping systems up to date, and related project management
- Application and renewal: Supporting applicants through the process, review of applications
- Staff Volunteer and Collaboration Management: Training and managing of staff/volunteers involved in the process, ensuring fidelity of processes
- Exam and Awarding: Offering the exam, compiling feedback, processing awards

AVERAGE SHARE OF TOTAL COSTS OF ENDORSEMENT BY TYPE



THE IMPACT OF COVID-19:

When the COVID-19 crisis unfolded midway through this initiative, cohort members came together to share the challenges they faced as well as the ways in which AIMHs quickly pivoted to meet the needs of their communities. Many AIMHs shared that they were able to successfully move some or all their training opportunities from in-person to online trainings and more widely disseminate content to providers that they had not previously reached. Financially, most AIMHs 2020 budgets were maintained, but leaders worried about future investment as both foundation endowments and government funds could be diminished by a protracted recession.

Ongoing Questions and Future Directions

The IECMH field is still developing as a defined discipline and working to share value across the many systems that its work touches. **A comprehensive and honest view of what it takes to deliver on mission is required as AIMHs continue to grow and change and funders explore ways to most impactfully partner.** While this project has quantified business model and endorsement program realities across a cohort of AIMHs, exploration into the following questions is needed to support continued development in the IECMH field:

1. What shifts are needed in AIMH business models and funder practices to empower the full force of diverse and committed practitioners to contribute to the IECMH field, while maintaining the financial resilience of organizations?
2. How will the growth of endorsement programs interact with AIMHs' roles in training, advocacy, and coalition-building in the future?
3. What is the role of AIMHs in state-level and national advocacy around investing in the IECMH workforce? For what activities is coordination across state AIMHs most impactful?
4. What are the highest-impact roles for The Alliance to play in supporting AIMHs and endorsement programs as the field evolves? What are the business model implications for The Alliance?

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