

## Focus on Strategies for Success

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## Oh, How They Inspire Us!

**Congratulations to the recipients of NJAMHAA's *Courage & Compassion Awards*, which were presented during the Annual Conference, *Inspiring Progress, Seizing Opportunities* on April 15, 2015.**

"Those we honored epitomize the theme of the conference by offering us inspiration and serving as role models for seizing opportunities," said NJAMHAA CEO Debra Wentz, PhD. "Frontline providers, leaders and entire organizations throughout the NJAMHAA membership demonstrate such profound dedication to the children and adults they serve through the diverse and innovative programs they provide."

Following are details on how the honorees inspire us and why they deserve this special recognition.

### Providers

**David Seegert, MSW, LCSW, Program Director and Team Specialist, Preferred Children's Services, *Outstanding Direct Care Provider Award***

"Over the past eight and a half years, Dave has built a solid reputation for our School Based Program. In this program he wears two hats; that of a manager assuring fidelity to the program model, and that of a clinician specializing in families and children. Dave makes the student body a priority and creates a strong, trusting rapport with the school community, which has enabled him to do such things as have the school agree to have our program install a rope course on their property, assist in the school district with the development of the HIB Anti-Bullying Policy, and create the first chapter of the Gay Straight Alliance to be recognized as a school organization," wrote Gina Polese-Grosso, LCSW, Execu-

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## Providers Develop Programs with Individuals' Needs in Mind:

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- *JFS of Somerset, Hunterdon & Warren Counties, Page 24*



Pictured left to right: Paul Ressler, Jennifer Velez, Paula Sabreen, Debra Wentz, Peter Anderson, Shauna Moses, Deborah Megaro, Mary Pat Angelini, Josephine Carpenter, Linda Reynolds and David Seegert

## Have You Heard The Word Merger Lately?

By Sherise D. Ritter, CPA, CGFM, PSA, CGMA, Managing Director, The Mercadien Group; Practice Leader, Nonprofit Services Group



Have you heard the word "merger" lately? I have. Almost everywhere I go, there is discussion about working together or collaborating with another organization. Just over a year ago, I wrote an article entitled, "Would Your Nonprofit Benefit from an Alliance or Merger?" I could repeat the exact same article today and it would be suitable to the times. We have been fielding calls from clients and prospective clients to provide input

on how a merger or affiliation may affect them, should they consider this as a strategy, and how they can get ready to acquire another agency or organization.

The challenges of doing business certainly haven't lessened in the past 12 months. Regulatory pressures have increased and certain government agencies are changing the way they will provide funding in the very near future. Mercadien has routinely provided audit, tax and accounting services to agencies that receive funding from the State of New Jersey in the form of cost reimbursement contracts. That means if the agency spends \$1 to assist its consumer population, the state will reimburse them the same \$1 to cover the cost. From where did the State get its funds? Well, they billed Medicaid for the services provided to the consumers by the agencies.

The State has decided, however, that it is more beneficial to have the provider agencies bill Medicaid directly. Imagine the shock in the provider community. The agencies have to set up billing procedures like a doctor's office or hospital treatment center. That requires quite a bit of change and dollars to fund new software platforms, staff positions, different accounting processes, etc.

Some of you reading this may be in the process of addressing this change. For the rest of the readership, I use this as an example only of one change that can have a profound and possibly deadly impact to an or-

ganization. Yes, deadly, because many organizations don't have reserves available to cover cash flow shortages that will likely take place during the beginning of the transition period. They don't have net assets available to fund new transportation vehicles in the future, or to afford new capital purchases or significant repairs and replacements.

Every agency's situation is different. However, many nonprofit organizations rely on one source of funding or donor type, such as government grants, for a majority of their revenue. Some realize the peril to their viability from this in today's economic climate. Indeed, for many, government money is already becoming increasingly scarce, as are dollars from private donors. A smaller agency relying on one donor may find it very difficult to survive in a new revenue model. Funding diversification is perhaps one of the most appealing reasons for alliances and mergers. They present a great opportunity to tap into other funding sources to ensure you remain equipped to serve your constituency.

If you have a significant change in your operations, you should run the numbers to quantify the impact on your organization. If the writing is on the wall, it is key to reach out sooner, as opposed to later, to another organization to pursue collaborative efforts. You need to find a candidate that complements you and matches your organization's culture. If you are seriously thinking about a merger or affiliation, some things to think about in your due diligence process include:

- Viability of assets: Do they exist? Are they impaired? Are liens outstanding?
- Hidden liabilities of a merger candidate: Are there any unknown liabilities, loan covenants, inaccuracy of reported liabilities?
- Long-term contracts with lenders, lessors, funders, government agencies, vendors and customers
- Personnel agreements and benefits
- Impact on tax exemption, financial reporting, etc.

Mercadien's Nonprofit Services Group has extensive experience assisting nonprofits with the evaluation of the cost and strategic impact of a potential alliance, and with guiding them through the actual merger process. Contact Sherise Ritter at [sritter@mercadien.com](mailto:sritter@mercadien.com) or 609-689-9700 to learn more.