

Rebirth of a Birth Center

by Sara Grawe and Shujia Gu

The Holy Family Services model values mission and passion over systems—of leadership, accountability, and support. But in order to evolve, this organization must find the right balance between passion of purpose and structural integrity that will support its unique needs.

Editors' note: Just as humans have identifiable phases of development, so do nonprofits. The first of these phases is generally described as very informal. Key leaders are entirely focused on mission and those being served.

These organizations tend to be very attractive to funders and volunteers. This is when the DNA of the organization is largely established, so that focus makes perfect sense; but at some point, around year three to five, many organizations

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begin to understand the need to anticipate problems that may occur as a result of a lack of systems. Not so Holy Family Services. Twenty-three years in, the sisters were convening board meetings only rarely.

Up until 2006, leadership was provided by the sisters, but once they retired, the board looked for new “saviors,” expecting to maintain its habitual lack of involvement once new leadership had been located. As is often the case when a strong founder or founder group leaves, the coleaders hired to replace the nuns failed spectacularly in an atmosphere that did not understand or value systems of accountability. The board was finally forced to step in and take operations leadership for a time before the organization was able to regain its footing.

Some types of organizations tend to stay in a first stage longer than others; faith-based organizations are one of them. Holy Family Services has the added component of being a highly valued community of service—and a highly centered one—meaning that many staff members and volunteers live and work together. The description of the volunteer opportunities are as follows: **“Service Length**—We would like a one year commitment. Other commitment lengths will be considered; **Requirements**—Texas State Licensure for Nurse-Midwives and Registered Nurses. Minimum of a High School education for the other placements; **Financial Arrangement**—Monthly stipend up to \$350, to include food costs. For all: room/board, shared use of a car, health insurance if not presently on a family member or spouse’s insurance and two to four weeks of initial orientation; **Living Arrangements:** Each person has their own room furnished with a bed, dresser, desk, chair, ceiling fan, and wall heater. Window A/C units are available. The kitchen, living room, dining room, chapel, screened patio, and laundry facilities are shared. Large outdoor space with gardens and walks to be enjoyed.”

This, then, is a collectively fueled faith-based organization with a circulating base of volunteers that are at the core of the mission—a model that some might be driven to try to overly formalize in ways that do not support what makes the organization what it is. But if you start from the passion and move outward to systems of accountability

and support—building more systematic leadership succession plans—progress is there to be made. For instance, the case description portrays the buildings in which staff live and work as requiring renovation. This presents the need for a more future-oriented planning process that, while it may be a strain for the organization, presents an opportunity to more fully embrace a structure that fits the organization’s unique needs.

HOLY FAMILY SERVICES (HFS), INC. IS A NON-profit birth center in Weslaco, Texas, along the Texas–Mexico border. It provides women’s healthcare, labor and delivery services, breastfeeding support, and newborn care. The longest-licensed free-standing birth center in Texas, Holy Family first opened in 1983 under the direction of four Catholic sisters: Angela Murdaugh, Mary Thompson, Damien Francois, and Ann Wojtowicz. Holy Family differs from many birth centers in that the majority of services are provided to uninsured or underinsured clients; nearly 80 percent of the patients use Medicaid or fall under the self-pay category.¹ In addition, most of the clinic’s medical providers are volunteers who live on-site. Holy Family’s stated mission is as follows: “To provide maternal and infant care within the context of the family. Services will be rendered in a God-centered atmosphere of compassion and love. Every individual, as God’s creation, has the right to safe, satisfying health care with respect for human dignity and cultural variations. The individual has the right to self-determination, to adequate information, and to achieve participation in all aspects of care.”²

Since its founding, thirty-two years ago, Holy Family has become well known across the United States for serving the healthcare needs of families in the Rio Grande Valley, as well as acting as a unique practice location for healthcare professionals and clinical learning site for student midwives and nurses. But the model birth center faced significant leadership and financial hardships over the past ten years. The founders retired, and three years later the new management was found to be embezzling organization funds. Holy Family came close to

shutting down, but the organization was able to overcome the crisis by focusing on its mission, increasing the level of involvement of the board of directors, and developing a strategic plan for survival.³

Crisis

While under the direction of the sisters, the board held meetings only as often as required to meet the minimum state requirements. These meetings were led by the founding sisters and used as an opportunity to update the board of directors on the status of the birth center, but the board was not largely involved with making decisions or providing oversight.⁴ Leadership was very strong, but it was almost entirely in the hands of the sisters.

When the founding sisters retired—the final sister in 2006—Holy Family entered a time of turbulence. The board hired a clinical director and an operations director to take on coleadership, but the board continued to be largely uninvolved, allowing the new leadership full management of the birth center. The clinical director was responsible for supervising clinical staff and attending births, yet she had poor rapport with patients and staff. Her performance had even resulted in some patients leaving the practice. She was dismissed in 2009.⁵ The clinical director's firing put the birth center at risk of closure, since the center could not properly operate without a birth provider. As a result, the center was not able to accept new clients until a new graduate certified nurse-midwife (CNM) came on board to provide temporary clinical coverage.⁶ (The board of directors then became more involved in the clinical aspect of the organization, due to a state requirement that a Texas-licensed CNM be present at every birth. Two of the board members, who were also CNMs, alternated attending births of clinic patients when provider coverage by a Texas-licensed CNM was otherwise unavailable.⁷) Between FY2008 and FY2009, eight members, including a few sisters and a reverend, left the board.⁸ In September of 2009, "Franciscan nuns came and officially handed over Holy Family," releasing the birth center into the hands of the current staff, volunteers, and board.⁹

In November 2009, while the clinical director position was still vacant, Holy Family staff discovered that the operations director was embezzling large amounts of money from the organization. The embezzlement had been enabled by the operations director's almost wholesale autonomy due to the absence of a clinical director and continued lack of oversight from the board. Staff members discovered the embezzlement when the operations director began exhibiting suspicious behavior: late payments, staff stipends paid in cash, counterfeit checks, late notices for clinic bills, and empty clinic bank accounts.¹⁰ The operations director took nearly \$140,000—over half of the clinic's total 2009 revenue of \$236,221, including program service revenue, grants, and donations. Holy Family ended the year with only \$14,927 in liquid assets, compared to \$141,867 in liquid assets in 2007, prior to the operations director's tenure at Holy Family.¹¹ Staff were prompt in reporting their concerns to the board, and the operations director was summarily dismissed.

Immediately following the embezzlement, the IRS began assessing rapidly escalating penalties, which increased the financial burden on the clinic. Holy Family awaited the results of the trial of the operations director, hoping that the IRS would waive the penalties and require the ex-director to repay the stolen funds. In the meantime, the organization had to come up with a plan to rescue the clinic from closure.

Crisis Management

To address the leadership and financial crises that left both the clinical and operations director roles vacant, Holy Family board members and staff banded together to create a strategic plan. Throughout the crisis, Holy Family had remained mission driven and had continued to meet the needs of patients and fill the voids in administrative duties—all while compiling evidence to use in the trial.¹² The board continued to be more involved in clinical aspects of the organization, and became more involved in operational tasks, too. The board increased its collaboration with staff members, began to meet on a weekly basis, and provided additional oversight to the clinic—in part by bringing in a new board

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member with financial acumen to help address the embezzlement.¹³

The strategic survival plan included multiple approaches. Holy Family implemented cost savings wherever possible—including canceling garbage service for the clinic—which meant that staff had to transport all trash to the landfill.¹⁴ At a staff member's suggestion, the board gave permission to hold a yard sale and “sell everything not nailed to the floor,” including cars and clinic supplies—which helped relieve some of the immediate need for financial resources.¹⁵ (The yard sale was such a success, in fact, that it has become an annual tradition.) In addition, temporary leadership positions were assigned to active staff members until a replacement permanent clinical director could be found.¹⁶ Lastly, to repay the IRS the embezzled funds, Holy Family took out loans from two board members, totaling \$40,000. Of these two loans, one is still in place, with \$16,290 remaining due.¹⁷

Current State

A new director was hired in 2011, and she has brought strong leadership to Holy Family; but the organization is suffering from the results of the board's laissez-faire approach, lack of succession planning/mentoring of new leadership, and minimal oversight. Had the board been actively engaged in strategy formulation for leadership succession before the last founding sister retired, been more involved in the day-to-day operations during the transitional period after hiring new leadership, and made sure that financial systems or safeguards were in place, the embezzlement may not have occurred—or at least may have been discovered and stopped at the onset.

But despite the hardships, Holy Family has been able to recover. It now has strong leadership and a steady supply of providers, and is more financially stable. That stability has gone a long way in helping the organization to heal from the crisis and move forward. Despite strict attention to finances following the embezzlement, the clinical director has had to temporarily defer her own salary on occasion to maintain cash flow as Holy Family continues to recover¹⁸—but the nurse-midwifery fellowship program, so important to

preservation of the birth center's overall mission, is flourishing with supportive leadership; and although the finances have not returned to their pre-embezzlement levels, in 2014 Holy Family was able to initiate a scholarship program to help current employees complete education programs if they commit to continue working at the birth center after graduation.

A Path Forward

Now that Holy Family has strong leadership in place, the focus must shift to the development of a long-term strategy that will allow for sustainability while remaining mission driven. The organization has additional challenges to face ahead, such as maintaining strong leadership, recruiting paid staff, and increasing funding. Devotion to the mission has rewarded Holy Family with sufficient staff and volunteers in the present, and it will be important to maintain the organization's commitment to the mission in the future in order to continue to attract new staff members and volunteers.

But while the mission helps to attract providers and staff, that same mission, which involves serving mostly poor and uninsured patients, results in low reimbursement rates, which makes financial stability more difficult to reach. This means that Holy Family must rely heavily on its volunteers for clinical care. The clinical director and one senior certified nurse-midwife are the only providers who receive a salary; other providers receive a monthly stipend to cover basic necessities. In addition, of the staff who are paid, most are not paid at the market rate.

Another financial challenge centers on Holy Family's real estate. Many of the buildings on Holy Family's property are in need of replacement or renovation. Upkeep of these buildings is critical to the survival of the clinic, both in order to increase the number of clients paying with private insurance—which reimburses higher than Medicaid and self-pay clients—and, as the clinical providers and other volunteers live on-site, to keep the buildings in the shape needed to ensure a steady supply of medical staff. An improved fundraising capacity will likely be necessary in order to obtain the significant moneys the organization will need to improve salaries and ensure

adequate infrastructure. But if Holy Family can take the lessons learned about succession planning, maintaining active board involvement, and providing ongoing mentorship and oversight to the birth center leaders, and move forward with a stronger capacity all around, it should have a good chance of continuing to be the highly valued institution it proved itself to be three decades ago and counting.

NOTES

1. Heather Swanson, Holy Family Services clinical director, in an interview with Sara Grawe, September 25, 2015.
2. Holy Family Services website, accessed September 2015, www.holyfamilybirthcenter.com/.
3. Jessica Norris, volunteer RN for Holy Family Services from 2009 to 2010, in an interview with Sara Grawe, September 27, 2015.
4. Swanson, interview.
5. Rebecca McIntosh, volunteer RN for Holy Family Services from 2009 to 2010, in an interview with Sara Grawe, September 29, 2015.
6. Norris, interview.
7. McIntosh, interview.
8. Internal Revenue Service, *Holy Family Services, Inc.: Form 990-EZ*, 2008, www.guidestar.org; and Internal Revenue Service, *Holy Family Services, Inc.: Form 990-EZ*, 2009, www.guidestar.org.
9. Norris, interview.
10. Ibid.
11. Internal Revenue Service, *Holy Family Services, Inc.*, 2008; and Internal Revenue Service, *Holy Family Services, Inc.*, 2009.
12. Norris, interview.
13. McIntosh, interview.
14. Ibid.
15. Norris, interview.
16. Swanson, interview.
17. Internal Revenue Service, *Holy Family Services, Inc.: Form 990*, 2013, www.guidestar.org.
18. Swanson, interview.

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