

# CASE STUDY: RESERVES

Headline:

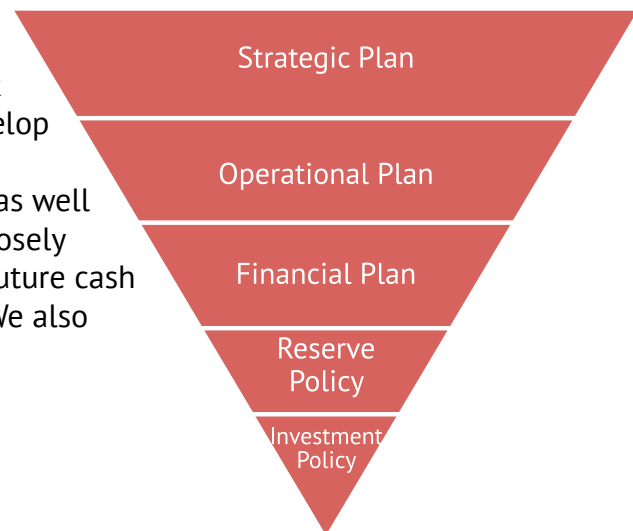
## ***Creating a Better Financial Strategy with Tate & Tryon***

### The Challenge

A \$100-million-dollar nonprofit accumulated a liquid reserve of \$120 million, and The Board was at odds as to what their next steps should be. Some believed the reserve was excessive and were concerned about potential IRS problems, negative ratings by watchdog groups, and constituent perceptions about a large war chest. Others expressed concerns about looming and uninsurable risks and the obvious need for future strategic investments. Unfortunately, the organization's prior strategic planning process had not adequately considered the financial impact of looming risks and opportunities. To provide a clear strategy, the organization needed an experienced, unbiased arbiter to map out a sound financial reserve strategy.

### Approach

Based on T&T's demonstrated expertise in nonprofit finance, risk management, and strategic planning, we were brought in to develop a 5-point strategic risk-based approach for the client's reserve planning with the objective of identifying and quantifying risks, as well as opportunities in the form of strategic investments. Working closely with senior management and program heads, we looked at the future cash outlays necessary for mission success over the next 5-10 years. We also benchmarked the client's liquid reserve against similar nonprofit organizations.



### Results

By working together through this process, we achieved board and senior management consensus on the potential future cash outlays and the future of the reserve strategy. This documented process also deters constituents, watchdog groups, and the IRS from making uninformed assessments about the reserve. And, perhaps most importantly, risks are now identified, accepted, and factored into reserve planning, and the age-old board member comment of "we were blindsided" is minimized.

