Business Analysis for Tamarack: What can we learn from our past as we plan our future

March 3 – 2020 - By Paul Born with input from Bill Young, Jana Harris, Liz Weaver and Ed Simon

As the board prepares to consider the next 10 years of Tamarack's impact, we want to capture the role our business model and financial management has played in our success. We want to ask two questions?

1. What has made Tamarack a financial success?
2. What should Tamarack keep doing or change in the next 10 years to ensure we remain a success?

Over the past 11 years Tamarack's budget has grown from just over $1 million to nearly $3 million. Nine of the eleven years we have generated an earned revenue surplus building our board restricted reserve from $367,000 to $1,675,000.

What has contributed to this success?

Our general philosophy of financial management:

- Tamarack strives to maintain a mix of income sources. One third is generated through the sale of services and products. On third is raised from donors and foundations. One third is provided by government. As the funding environment ebbs and flows (think Harper years) we are resilient due to funding strengths in at least two of the three distinct revenue domains at any time.
- We raise money for our core mission and do not pursue grants and donations "just because" there happens to be money available. This is important because by focusing on our core purpose and programs we find synergies (staff, deliverables) allowing us to do more with less.
- We are deliberately frugal. We think before we spend money. We are always trying to save money. We own almost nothing and have very low overheads. Staffing costs are competitive – we are at the middle of the salary range and never at the top of the range for our sector. This is important because it follows Paul's dad's philosophy when he said, "it is not just how much you make but also how much you spend that makes you a financial success".

How we budget – setting the budget and managing the budget:

- Our budget revenue is never hopeful. We must be very clear that at least 80% of revenue projections will be achieved and there is a high probability the last 20% will realistically be realized. This is very important as it controls our spending and mitigates our wants - forcing us to live within our means.
- We manage our budget monthly through very thoughtful reports and discussion. We reforecast our budgets at 6 months, 9 months and then make slight modifications through the final two months of the year. This is important because it forces us to understand what is going on with budgets in order to adjust in spending – to understand where we have overspent and then move money to these categories from categories where we are underspent. This way we control our wants and impulse spending in the underspent budget lines.
- Spending is tightly controlled. Staff can spend up to $500. Directors and managers up to $1,000. Co – CEO's must approve anything above this, up to $10,000. Above $10,000 we seek input and or approval from our Treasurer. This is important because it helps us manage our wants and impulse buying and it keeps us to budget.

Generating revenue through successful events and consulting

- Tamarack operates in many ways like a business because we manage one, with nearly $1.5 million in annual sales. We enjoy maximizing profits for the good of the organization. This forces us to consider a cost - benefit ratio in how we budget. Each cost needs to be considered in relation to the customer experience. Finding this balance allows an organization to manage the amount we charge for our services in relation to how much we must spend to achieve customer satisfaction.
- Profits - give a not for profit organization financial freedom. Profits allow us to build reserves for a rainy day. Profits allow us to innovate. Profits impress donors that bring a private sector lens to their giving.
- Charging for goods and services gives Tamarack an edge. To sell out events they need to be exceptional. To charge for consulting means we need to compete with the best in the field. Our programs and services must be innovative in the marketplace. This causes us to think boldly, deeply understand our learners needs and to market our services in unique ways. Most importantly we have a found a direct correlation between the number of learners registered in our database and our ability to fill events – this has enabled us to calculate growth.

Fundraising in five-year cycles

- We have found it is nearly as much work to fundraise for a one-year grant as it is for a five-year grant. Tamarack's fundraising costs are extremely low.
- We have focused our efforts on large scale donors and have partnered with less than 10 major funders. Strategically this has enabled us to partner with funders and build deep relationships.
- To fundraise for five years means our Case for Support must be bold, innovative and achieve dramatic results. This is important because it has helped build the reputation of Tamarack as a charity that gets things done and that is making a serious difference.

Placing all earned revenue surplus into board-controlled reserves

- To innovate and take risks an organization needs reserves. This is important because not all innovation works, and staff should not loose their jobs when we innovate and fail. In addition, boards should be protected should an organization have a deficit.
- The board needs to hold power in a charity – not only in position but with the ability to invest in new ideas and to hire great people. A board restricted reserve gives the board control of money that they can use to strategically invest in the mission of the organization.
- We only place earned revenue surplus into the reserve fund. We cannot put donor or funder revenue into our reserves. This gives special value to earned revenue in strengthening the organization and thus helps the board focus on such as a priority.

Involving the board, a public audit and strict financial guidelines

- The board plays an important role in the financial success of Tamarack. Approving financial policies, staff costs and budgets control spending. Audits ensure financial integrity. Providing financial results to the public ensures transparency.
- Financial guidelines that are documented and updated regularly is important for donor confidence. The auditor checks annually if guidelines are being followed by staff and provides a management letter to the board – we pay extra for this service and ensure we have an auditor that understands charities and how they must operate.

- Tamarack has always taken pride in generating surplus's rather than deficits, achieving a "clean audit", following strict policies and building reserves. This is extremely important because making finances a priority ensures we spend the money and give time to achieving excellence.

Wisdom going forward – 10 good ideas

1. Make sure earned revenue is always part of our success
2. Hire an auditor that knows charities and audits both policy compliance and accounting.
3. Fundraise in 5-year cycles
4. Love our donors – work hard in a way that they also love us – for life
5. Take pride in our reserve fund – always keep it board controlled
6. Remain frugal – never pay beyond the middle of industry pay scales
7. Budget with certainty of revenue sources and be realistic about costs
8. Maintain a mix of revenue sources – keep the 1/3 rule as a goal.
9. Tightly control spending – take time to create and manage good financial policy
10. We can always do better – what is your number 10?