

Challenge

Maura, a nonprofit leader focused on financial management, looked at four different quotes for new windows. She was shocked at the prices, even though they had been planning this for years. The windows of St. Teresa Community Center needed to be either restored or replaced because water was seeping into the office area each time it rained. The building was over 100 years old, and one problem after another detracted from their greater mission of serving the local families in need. While they anticipated these expenses, what might be next? As financial director of the community center, Maura had to make sure that money was budgeted for all the repairs and the staff salaries. Maura was thankful that St. Teresa Community Center received significant donations allowing them to have a sizable amount of money in a high-yield savings account at a local bank. While Maura was happy to see the bank yields increasing, she thought they could be doing more with their money. She knew there was likely a way to grow this money, but how could she ensure that the money would be there when needed? She wanted to be a good steward and grow the money—she certainly didn't want to lose it by making investing mistakes. Maura remembered a friend had told her about Allodium and how they had helped her nonprofit organize their finances. Maybe Allodium could also help St. Teresa.

Recommendation

Maura called Allodium that afternoon. Allodium helped St. Teresa Community Center get its financial assets organized. First, Allodium looked at the investable assets and helped Maura and the finance committee think in terms of three "buckets." These buckets can be viewed as time frames for when their money was needed. For instance, payroll, small projects and other immediate needs are funded by Bucket #1, which contains daily liquid cash and money market funds, both readily accessible. Bucket #2 is income-producing with a short-term (two to three-year) time horizon and is invested in Certificates of Deposit (CDs) and bonds. It is a reserve fund for a "rainy day" or potential needs in two to five years. Bucket #3 is focused on long-term (ten years plus) asset growth for the future with a long-term time horizon. Allodium helped them develop a professionally managed globally diversified investment portfolio for Bucket #3. These buckets also represent various levels of investment risk and asset allocation strategies. Bucket #3 has a higher level of risk than Bucket #2, and Bucket #1 has the least amount of risk.

Result

Maura had peace of mind knowing that St. Teresa Community Center's assets were organized into three distinct categories with a predetermined dollar amount in each one. The money she needed for the most critical repair projects was available in Bucket #1. Less pressing projects that could be scheduled two years from now would be funded by assets in Bucket #2, earning a higher rate of interest. Bucket #3 funds were set aside and professionally managed for long-term growth. She was able to prioritize the repair projects based on urgency. With a plan in place, Maura knew she could focus on helping the staff fulfill the mission of the organization—serving families in need.



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