



NORTHWEST CENTER

AT A GLANCE

TATUM AUDIT SUPPORT

In first 60 days, Tatum helped NW Center file previous year's audit, re-forecast current year's budget and complete preliminary budget for next year.

TATUM RAISING CAPITAL

NW Center was in a poor cash position with only 15 days of operating cash on hand. Tatum assisted with sale of building and relocation to rental facility improving cash position to 30 days on hand in first four months.

TATUM C-SUITE PROJECT MANAGEMENT

NW Center had inadequate financial reporting which prevented management and board to make informed decisions. Tatum established better internal reporting offering clarity into the organization's financial position.

TATUM LIQUIDITY PROTECTION & MANAGEMENT

Bank transferred NW Center's account to asset recovery group and canceled its line of credit. Tatum helped stabilize banking relationship bringing required reporting up to date, reconciling all balance sheets and reducing outstanding debt.

Non-profit reverses downward financial spiral.

Brief Overview

Northwest Center was founded in 1965 by a group of parents who became angered when their children with developmental conditions were turned away from the schoolhouse door written off as incapable of learning. The founding parents took matters into their own hands by hiring teachers and forming Northwest Center to serve the needs of their children.

As these children grew into adults, the issue shifted from one of education to one of employment. Northwest Center has grown over the years to become a NAEYC accredited leader in inclusive early childhood education and natural environment early intervention therapies. Also, it was one of the largest employers of adults with disabilities in the region and one of the premier employment placement agencies for people with barriers to employment.

Today, Northwest Center is a \$36 million nonprofit "social enterprise" organization advancing its social mission through a complex mix of entrepreneurial income strategies. Northwest Center owns and operates 13 separate businesses in such varied industries as janitorial and landscaping services, assembly and packaging, donated merchandise program, commercial laundry, catering and food services, document storage and shredding, and magnetic component design.

In addition to generating revenues to sustain its programs and services to people with disabilities, these diverse companies offer valuable training and employment opportunities to its clients. Northwest Center employs nearly 1,000 people half of whom have a declared disability.

Situation

This dual purpose lies at the heart of social enterprises like Northwest Center. Unlike traditional nonprofit organizations that create social value through charitable contributions, social enterprises are designed to operate like a for-profit business, creating both social value and financial value through an earned income stream.

In the late 1990s and early 2000s, neglect of both social and financial value led to a downward spiral. Ultimately, an outstanding debt of \$15 million, chronically poor operating results and a lack of clarity and discipline in financial accounting and reporting threatened the organization's self-sustaining operations and its financial future.

"When I mentioned our engaging Tatum to a senior-level bank manager, he closed his notebook and said, 'OK. You're doing the right thing.'"

- Tom Everill, President and Chief Executive Officer, Northwest Center



With new CEO and President Tom Everill at the helm in July 2008, the board of directors set its sights on diagnosing its financial issues and re-establishing organizational equilibrium.

Everill decided the senior management team would first need to get financial clarity to move forward. In recent years, the board hadn't received adequate financial reporting from executive leadership to make informed management decisions. Senior managers and business unit managers also suffered from poor communication with financial leadership.

Getting the right financial information into the right hands would be essential to reversing the downward spiral. Long-standing policies and procedures would need revisiting. Open dialogue would have to be established across organizational boundaries. It was time for survival mode and a new level of financial leadership.

Why Tatum

In June 2009, a board member urged Everill to reach out to Tatum based on his previous experience. Everill had met with several other potential advisors but felt Tatum had the depth and talent to get the job done.

A few weeks later, Tatum was on site to examine financial statements and budgets and sit down with board

leaders and senior managers to get their perspective.

After only two days into the two-week assessment, Tatum was able to draw some striking conclusions beginning with a list of core financial challenges that required immediate attention:

- ... Audited financial statements not completed for the previous year
- ... The organization had only 15 days of operating cash on hand
- ... The bank had canceled Northwest Center's line of credit and transferred its account to the asset recovery group

Everill convened an emergency meeting of the board's finance committee where Tatum shared these challenges with the larger group. There was no time to waste. Three years of operating losses had put a significant strain on Northwest Center's financial resources and the sustainability of the organization.

Results

Northwest Center hired Tatum for a 90-day engagement eventually bringing Tatum's interim CFO on board full time as an integral member of the organization's management team.


Within the first two months, Tatum completed the previous year's audit, reforecasted the 2009 budget and completed a preliminary 2010 budget

allowing the organization to bring its bank reporting up to date. Better internal reporting to management and the board also helped leadership gain a clearer understanding of the financial position of the organization.

Within four months, Tatum helped improve Northwest Center's cash position from 15 days to 30 days largely through the sale of a building and relocation of a business to a smaller rental facility as well as the accelerated collection of accounts receivable.

Financial group restructuring allowed for more open communication with business unit managers. Balance sheets were reconciled. A nonperforming business was sold. Through these combined activities, Tatum helped the organization reduce its outstanding debt from \$11 million to \$8 million.

For the eleven months ending November 2010, Northwest Center showed a profit of approximately \$600,000 compared to a year-end loss in 2009 of \$3.1 million.

In November 2010, the organization was transferred out of its bank's Asset Recovery Group and returned to the regular Corporate banking group. Tatum was able to negotiate revised credit terms for a major portion of the corporate debt which will further reduce future interest costs and ensure financial stability for the future. 

About Tatum

Companies turn to Tatum when critical business challenges arise because we immediately deliver C-level financial and technology operational expertise via solutions tailored to the Office of the CFO. We understand the urgency of NOW and our VELOCI-T solutions were designed to help business leaders accelerate results to *create more value™*.