

# Magnolia therapeutic solutions case study

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Magnolia Therapeutic Solutions is a well known nonprofit that provides psychotherapy for clients with Post Traumatic Syndrome Disorder (PTSD). Magnolia contributed several hours of intensive help to the victims of 911. In return NYC gave the organization a large grant to help it meet the demands of PTSD services. Mary Stewart, the founder of the organization believed that the grant given in 2001 would be renewed in 2002 as well. Much to her surprise the grant was not renewed. The grant was already factored into her budget for 2002 and she had to go back and revise the budget.

Mary was \$500, 000 short and in turn had to lay off one third of the employees. My Decision Versus the Boards The board of directors chose to approve the budget, based on Mary's 2001 budget and financials. My decision would have been the complete opposite. The decision I would have made was to ask Mary for documents backing up the proposed budget. Mary made the budget based on her grants and fundraising from 2001. She did not take into consideration that the grant may not have been renewed.

If she had made a lower budget, or even a back up budget, she would have had an alternative plan if NYC did not renew the grant. I made the decision I did because Mary's 2002 budget was made up on monies she was not even sure that she would have. Mary even based the development department raising more money on a grant she was not even sure would be offered to the organization. Organizational infrastructure had a large affect on my decision to reject the budget. The policies and procedures that are put into place by an organization are done so to build accountability and adjust to internal and external requirements.

According to Business Development Group, Inc (1999-2009), “ Properly implemented policies and procedures prove to be very critical for achieving growth and profitability through the more efficient allocation and utilization of a company's limited resources” (para. 3). Causes Behind the Ultimate Problem There were several causes behind the ultimate problems Magnolia suffered. This seems to have stemmed from the lack of accountability and responsibility with the financial management. First, Mary had written a budget based on funds that were not guaranteed.

She even based raising money for the organization on higher grants for 2002. Since the 2002 budget was written on false grants, this caused a huge problem and several staff members got laid off. This caused the organization to come to a stand still. This problem could have been solved a few different ways. Either by writing a budget with the grants and funds Mary knew 100% would be available. Or she could have written the budget with the NYC grant and had a back up budget in case it was not renewed. This way the board of directors could have seen either way Mary had a budget that could actually be carried out.

Secondly, in 2001 the organization used the remainder of the grant to “ increase other administrative services. ” The surplus from the grants in 2001 should have been budgeted into the growing organization and the services provided, not administrative services. “ The identification of a human service agency’s programs, the creation of a program structure, the assignment of program managers, and the designation of responsibility centers are the basic building blocks of financial management” (Martin, 2001, p. 16). Main Differences

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There are several differences in a non-profits inability to thrive and a for-profits inability to thrive. First, a non-profit can fail in acquiring “revenue” by not getting enough grants and not having enough staff. For-profits fail to get revenue by not making enough profit. Secondly, non-profits accrue expenses through program supplies, staffing, bills, and rental space. A for-profit accrues expenses through production, staffing, bills, paying out shareholders and owners, and getting the necessary supplies to keep up with newer products/technology.

Lastly, non-profits do not have the resources to pay employees/volunteers for training or higher education. This could result in a nonprofit’s inability to thrive. Training key employees is usually part of most for-profit organizations. Money is typically not an issue and organizations that make a profit know if they put money into an employees training, the end results will come back to them. Risk Management “Risk management can be defined as the identification, planned control, and reduction of risks to a human service agency” (Martin, 2001, p. 187).

Magnolia’s deficit happened because Mary and the organization did not have any risk management set in place. Had the organization had a risk management plan, Mary would have known better than planning a budget with unknown funds. “A formalized risk management program is one of the few ways a human service agency can reduce service delivery costs without cutting either staff positions or operating budgets” (Martin, 2001, p. 187). If Magnolia had used the essential tasks of risk management it may have been able to find a way to keep employees or get funding elsewhere.

The five tasks are risk identification, risk evaluation, risk control, risk funding, and administration. These tasks are a key component in helping nonprofits thrive. Had Magnolia identified problems or issues that could potentially happen with the budget and shortfalls it could have minimized the outcome.

Conclusion Because of Mary Stewart Magnolia had become a nonprofit organization that was helping in such a needed area, PTSD. Magnolia continued to thrive and receive many awards for the services performed.

The organization received a large 1-year grant from NYC to help 911 PTSD victims. When it came time for Mary to write the budget for 2002 she included the 2001 1-year grant from NYC. In the end Mary's budget caused a deficit in the organization and one third of the employees had to be laid off. If there had been a better risk management plan in order this could have been prevented. Also, if Mary had created a budget that was based on grants she knew they would be receiving the organization could have continued providing the excellent services at the same rate.