Welcome to the Webinar! Before we Begin...

If you can’t get the audio through your speakers or by VOIP, try dialing in using your phone.

All attendees are muted to ensure the best audio quality.

To ask a question, type it into the Questions box (pictured to the right) at any time.

This webinar is being recorded. The slides and full recording will be provided to attendees via email after the session.
Nonprofit Finance Fund: Linking Money to Mission for 40 Years

NFF envisions a world where capital and expertise come together to create a more just and vibrant society

We promote the success of mission-driven organizations by offering

- Tailored investments
- Strategic advice
- Accessible insights

Guided by our Core Values

- Equity in Action
- Rigor Without Attitude
- Responsiveness
- Generosity of Spirit
- Leading By Doing
Managing Through Uncertainty Parts 1 & 2

Agenda & Goals

We’re all steering through uncharted waters

This unprecedented crisis is not business as usual.

Thu. 16 Apr., 1:00 PM EST

Part 1:
• Framework for COVID Response, Recovery, and Resilience
• Cash Flow Planning
• Understanding Budget Realities

Fri. 17 Apr., 1:00 PM EST

Part 2:
• Planning the Response with an Eye Toward Recovery
• Scenario Budgeting
How has the COVID-19 pandemic affected your organization?

What we heard:

- Reduced Govt., Private, and Earned Funding
- Challenges with Staff and Volunteer Availability
- Unable to provide essential services
- Significant changes in demand
- Destabilizing Conditions
- Cancelled revenue-generating programing

1/3 NPOs had less than one (1) month of cash before the crisis and we’re already a month into this.

2/3 of NPOs indicated they were facing crisis just weeks into this.

For more information visit: https://nff.org/covid-19-survey-results
Who’s on Today’s Webinar?
How has your organization been impacted by social distancing?

- Operational
  - Continuing to deliver programs/services through social distancing

- Limited/Reduced
  - Reduced programs/services to accommodate some clients

- Paused
  - Unable to deliver programs/services through social distancing
Iterative Phases of Responding and Recovering

**Immediate Response**
- How are we impacted?
- How much cash do we have to sustain operations?
- Can we deliver programs remotely?
- Where can we look to aid or support?

**Operating Within COVID**
- What can we realistically deliver and sustain?
- What revenue are we losing; what new expenses are we incurring?
- What are we not able to do, what new opportunities are there?

**Planning for Recovery**
- How will recovery unfold for us, given our programs and operations.
- What people, money, things will we need to have in place for recovery, and do we have them?

**Recovery**
- How does our business model and balance sheet look during recovery, and what support can we get?
- Where can we start planning for longer-term resilience?

**Resilience**
- How can we prepare for future crises?
- Where can we push for full cost coverage?
- What are our unique needs for building financial strength?
Getting Your Arms Around the Response

Guided by Priorities & Goals

Understand your situation & timeframe
• Project your cash position for the months ahead, adjusting for decisions already made about expenses
• Adjust your budget

Develop and monitor your options
• Think through different budget scenarios, perhaps with quarterly view
• Plan your response based on your management and financial levers
Understand your Strengths and Establish Priorities

- Do you have mandates or services that have to be prioritized?

- What can’t you do right now because they are impossible to deliver or not mission critical?

- What is your ultimate goal? Are you looking to preserve staff salaries, preserve the organization for the long-term, or ensuring programs or assets whether it’s within your organization or not?
"Sometimes I am two people. Johnny is the nice one. Cash causes all the trouble."

- Johnny Cash
Short term cash and liquidity is important in a crisis. Weekly forecasts facilitate greater visibility, especially if cash is tight.

### Review the Near-term Cash Position

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### Operating Cash Receipts

#### Receipts

- Fees and Admissions
- Foundation Grants
- Individual Donors
- Net assets released from rest
- Total Op. Cash Receipts

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<td>Total Op. Cash Receipts</td>
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### Operating Cash Out

- Payroll
- Consultants (1099s)
- Rent
- Utilities
- Interest on debt
- Total Op. Cash Spent

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<td>Interest on debt</td>
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### Non-Operating Cash

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### Ending Cash

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<tr>
<td>Ending Cash</td>
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Strategies for Managing Cash Flow
Options available to nonprofits

**Have cash**
- Internal cash reserves built from unrestricted operating surpluses
- Approach funders to ease restrictions on existing revenue

**Do not spend cash**
- Negotiate favorable payment plans with vendors
- Minimize non-essential expenses

**Receive cash**
- Approach funders for accelerated/advanced payments
- Change the timing of particular events or annual appeals

**Borrow cash**
- Draw on an external line of credit or bridge loan
Thinking Through Your Options

How long can you operate with the current cash you have on hand?

Payroll
• Can you cover your next upcoming payroll draw in full? Would a different payment schedule ease cash flow? How much notice can you provide your staff if your ability to cover salaries changes?

Payables
• Which vendors will be more forgiving in this current environment? Can you be late in rent if you’re waiting for cash from other sources? Are there some expenses more essential to preserve than others?

Expenses
• Are there expenses that you will not incur? Immediate one-time purchases(subscriptions) or general cost that are higher?
Q&A Break
How does a Cash Flow Projection Differ from a Budget?

**Budget ≠ Cash Flow Projection**

- **Cash flow projection** shows whether there will be enough cash on hand week-by-week to actually pay bills at various points over the year.
  - “Cash in” is not always the same as revenue
  - “Cash out” is not always the same as expense

- **Budget** shows whether revenue will be greater than expenses at the end of the year
  - Budget = Cumulative revenues & expenses for the year
  - Some Revenue & Expense ≠ Cash (ex. grants awarded but not paid; vendor bills received but not paid, cash in bank from multi-year grant usable for this year)
## Focus on your Budget

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<th>FY 20 Budget</th>
<th>Year to Date Actuals</th>
<th>Reforecasted Budget</th>
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<td><strong>Revenue</strong></td>
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<td>Earned Income</td>
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<td>Admissions</td>
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<td>Tuition and workshop fees</td>
<td>$30,000</td>
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<tr>
<td><strong>Contributed Income</strong></td>
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<tr>
<td>Foundations</td>
<td>$175,000</td>
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<tr>
<td><strong>Total Income:</strong></td>
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<td><strong>Expenses</strong></td>
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<tr>
<td>Personnel</td>
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<td>Consultant fees</td>
<td>$30,000</td>
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<td>Travel</td>
<td>$7,000</td>
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<td>Occupancy</td>
<td>$40,000</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td>$177,000</td>
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<tr>
<td>Surplus (Deficit)</td>
<td>$48,000</td>
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**Guiding Questions:** How do year-to-date actuals compare to budget assumptions? How might you reforecast your budget?

**Consider:**

- Revenue Losses & Expense Cost Savings
- Emergency funding and revenue released from restrictions
- Increased expenses directly related to COVID19 mitigation efforts (protective gear, increased tech software and hardware cost)
What can we Reasonably Predict about our Revenue and Expenses?

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<tr>
<th>Type</th>
<th>Revenue</th>
<th>Expenses</th>
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<tr>
<td><strong>Foundation Grants</strong></td>
<td>• Emergency revenue</td>
<td>• Probably no cost savings</td>
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<td></td>
<td>• Release of time or purpose restrictions</td>
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<tr>
<td><strong>Individuals</strong></td>
<td>• Varied, likely dependent on personal financial situation of donor and size of donation request</td>
<td>• Probably no cost savings</td>
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<tr>
<td><strong>Special Events/Fundraisers</strong></td>
<td>• If scheduled from March – July, likely canceled already, lost revenue</td>
<td>• Maybe some cost savings, but may have sunk costs in staff time and other non-refundable expenses</td>
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<tr>
<td><strong>Program Fees</strong></td>
<td>• May have at least some disruption of program fees unless able to seamless deliver online</td>
<td>• Cost savings if program doesn’t operate?</td>
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<tr>
<td><strong>Investment Income</strong></td>
<td>• Stock market declines reduce investment income and asset value</td>
<td>• Probably no cost savings</td>
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<tr>
<td><strong>Earned Income</strong></td>
<td>• Experiencing declines, especially if reliant on others’ disposable income or wealth</td>
<td>• Some cost savings from cost of income generating activity</td>
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Short on time?
Projecting your budget for the next 3, 6, 9-months may provide helpful visibility into your situation and timeline

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<th>FY 20 Budget</th>
<th>Year to Date Actuals</th>
<th>3-months</th>
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In addition to what you can reasonably predict about your revenue and expenses,

- **How might your fiscal year end impact the decision you need to make?** What must happen? How can you support it given this new reality?

- **How might the next fiscal year be impacted?** Is there multi-year revenue available? Will you be able to reschedule FY20 events/fundraisers?

**Planning your budget in 3-month increments can also help you adjust as things change**
Fiduciary Responsibilities of Boards: Oversight, Decision-making, and Planning

- Make decisions based on financial information
- Ensure adequate financial resources for the organization to fulfill its mission sustainably
- Protect the assets of the organization
- Take the long-term in addition to the short-term view
- Provide proper financial oversight
- Prepare the organization adequately for risk
- Know the organization’s current financial situation
- Oversee the annual budgeting process and monitor progress
Fiduciary Responsibilities of Boards During COVID-19

- What are our operational and programmatic priorities?
- What is our current financial situation?
- How are our programs and operations affected by social distancing?
- What are our greatest strengths, risk & opportunities to consider?
- Should we use our reserves for immediate cash needs?
- How does our budget change as social distancing continues?
- What are our operational and programmatic priorities?
- Wherever possible, what can we do to extend our cash?
- Do we have a cash issue or a cash flow issue?
- Do we have influence, networks, or capacity to bring in additional funding?
- How are our programs and operations affected by social distancing?
Wrap Up Part One: Understand Your Situation & Timeline

- Short term cash and liquidity are important for crisis management
- Though cash is key, understanding the impact on your budget will be helpful for planning your continued response
- Unique nature of this crisis will necessitate revisiting your cash and budget assumptions as the situation evolves
- Decisions about cash and budgets need to be guided by organizational priorities and goals established by leadership
Managing Through Uncertainty Parts 1 & 2
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COVID-19 Resources

Self-guided resources
- Website-based
- Blog and downloadable tools

Group programs
- Webinars
- Small-group coaching sessions
- Cohort / custom group programs* (arts, health, etc.)

Individualized help
- FAQ bank [https://nff.org/ask-nff](https://nff.org/ask-nff)
- ‘Ask NFF’ email service
- Individual coaching sessions*

*to inquire about these services please contact [consulting@nff.org](mailto:consulting@nff.org)
Thank You!

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@nff_news